A3435-14 10/89

Analysis of 1987 Bank Marketing Expenditures

1988 Research Report
Advertising Department

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Page

How the Survey was Conducted 2

Traditional Budgeting Techniques 3

Factors That Influence The Budget Size 5

How to Use the Analysis 5

How Much is the Budget 6

Expenditures by Expenditure Type

Graphs of Average and Median Marketing Expenditures — Figure A 8
Average Marketing Expenditures by Expenditure Type and Asset Size — Table 1 9
Median Marketing Expenditures by Expenditure Type and Asset Size — Table 2 10
Percentage of Reporting Bank Budgets Spent on Each Expenditure Type in 1987 by Asset Size — Table 3 11
Graph of Prime Media by Percentage of Total Marketing Budget — Figure B 12

Where the Budget is Spent 12

Percentage of Banks Reporting Marketing Expenditures of each Type in 1987 by Asset Size — Table 4 13

Budget by Market Size and Type 14

Average Marketing Expenditures by Expenditure Type and Population Size — Table 5 15
Average and Median Marketing Expenditures by Population Size and Asset Size — Table 6 16
Average and Median Marketing Expenditures by Population Size and Market Type — Table 7 17

Budgeting for Services 18

Percentage of Reporting Banks' Budgets Spent on Each Service in 1987 by Asset Size — Table 8 19
Graphs of Share of Expenditures by Asset Group — Figure C 19
Percentage of Reporting Banks' Marketing Each Service in 1987 by Asset Size — Table 9 19
Average Marketing Expenditures by Service Type and Asset Size — Table 10 20
Median Marketing Expenditures by Service Type and Asset Size — Table 11 20
Average Marketing Expenditures by Service Type and Population Size — Table 12 20

Marketing Expenditures for Telemarketing 21

Use of Telemarketing for Sales Purposes in 1987 by Asset Size — Table 13 21
Graph of Percentage of Banks Using Telemarketing in 1987 — Figure D 21
Use of Telemarketing for Sales Purposes in 1987 by Population Size — Table 14 22
Total Telemarketing Sales Expenditure in 1987 by Asset Size — Table 15 22
Graph of Average and Median Expenditures for Telemarketing — Figure E 23
How will 1988 Telemarketing Expenditure Compare to 1987 by Asset Size — Table 16 23

Use of Advertising Agencies 24

Graphs of Sources for Creating Advertising — Figure F 24
Bank's Primary Source for Creating Advertising in 1987 — Table 17 25
Bank's Primary Source for Creating Advertising by Population — Table 18 25
Bank's Primary Source for Creating Advertising by Market Type — Table 19 25

Compensation of Advertising Agencies 26

How Agency was Compensated for Services in 1987 — Table 20 25
Expenditures for Fees & Commissions at an Outside Advertising Agency in 1987 — Table 21 26

1986 and 1987 Marketing Expenditures 27

Average and Median Marketing Expenditures for 1986/1987 by Asset Size — Table 22 27

Questionnaire 28

The purpose of the "Expenditures Analysis" is to provide an understanding of how financial institutions of all sizes and in all types of markets are spending their marketing budget. It contains more than 2,200 statistics from more than 960 banks across the nation.

Application in Your Bank

It is not intended that this publication show specifically how much your bank should spend on marketing, or where you should spend it. In fact, as you read the following pages and become acquainted with the information, you will see that there is quite a diversity in banks' budgets based on the various factors considered in the survey such as asset size, type of market and population size.

The report will, however, allow you to identify certain overall trends which can help you develop or refine the budgeting process in your own bank.

Comparison between Years

The format for this 6th Edition of the "Analysis" correlates to the five prior editions (1982 through 1986) to allow for direct comparison of changes. If you would like to examine results of prior years' "Analyses", you may obtain a copy for 1982 through 1986 from BMA.

Methodology

To gather the information for this year's study, a two-page questionnaire and explanatory cover letter were mailed to a random sampling of banks nationwide. Recipients were chosen by "nth" name selection from among two asset groups: Those under $100 million in assets (7,201) and those over $100 million in assets (2,349). The distinction in samples based on asset size was to compensate for a lower response rate among community banks as experienced in previous surveys.

A follow-up mailing was sent to the same list of banks four weeks later and responses were cut off April 28, 1988.

A total of 1,045 questionnaires had been returned at the cutoff date, and, of these, 965 were usable returns. They were distributed as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	43	4%
$10 - $25	138	14
$25 - $50	149	15
$50 - $100	162	17
$100 - $250	238	25
$250 - $500	114	12
$500 - $1 billion	54	6
$1 billion - $5 billion	55	6
Over $5 billion	12	1

The completed questionnaires were edited for accuracy and the data was key punched, tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

To facilitate understanding of the information, the statistics are presented in several ways:

- percentage terms
- dollar averages
- dollar medians

Percentage computations are based on the number of respondents answering each specific question and are rounded to the nearest whole percentage.

Wherever the word "average" appears, it means the arithmetic mean. Averages for each category are based on the number of banks reporting. Since the number of banks reporting varies from category to category, the sum of the category averages usually will not be the same as the "total" averages.

The median is the middle value from a list of rank ordered values. For example, for the five values 4,000, 4,000, 4,200, 5,000 and 20,000, the median is 4,200 and the average or arithmetic mean is 7,440. There are as many banks above the median as there are below. Because the average is sensitive to extreme values (20,000 in this example) and the median is not, the median often represents a better estimate than the average.

Certain tables also include "minimum and maximum" values. These data illustrate the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

All dollar figures in the tables are reported in thousands and rounded to the nearest $100.

TRADITIONAL BUDGETING TECHNIQUES

Because there is no single rule that states how much a Bank should spend on marketing, budgeting is both an art and a science. There are, however, several methods which advertisers use alone or in combination to determine how much to spend and where they should spend it. These various methods traditionally include "rules of thumb" which seem relatively quick and easy to use, but have certain shortcomings as described below. Still, they may be helpful to planners as general guidelines or checks on budgeting decisions. They can be classified in three general categories:

1. Formula Methods

a) ***Percentage of Assets or Deposits Method:*** In this case, a predetermined percentage of the bank's assets or deposits is used as the foundation for the budget, such as 1/10 of one per cent of assets. This is commonly stated as spending "$1,000 per million dollars of assets." While this method accurately reflects that larger banks can probably afford larger budgets, it does not account for other important factors which influence marketing expenditures. These might include the size of the market, market share, opportunities for market development and the level of competitors' spending. Moreover, using current or forecasted assets as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of assets, not the other way around.

b) ***Incremental Method:*** This method, also commonly used, simply tacks on a set increase over previous spending. For example, a banker may simply say that the institution will spend 5% over last year's marketing budget in all categories. This method is easy to implement, often pegging the increase to the rate of inflation. And, it frequently is easy to persuade those who must approve the budget that it is sound practice. The assumption, however, is made that goals and strategies this year should imitate last year's. If you are completely satisfied that past performance was so good that you only need to repeat the same, or more of the same strategies and tactics, this method may work. But simply doing 'more of the same' may mean that programs which are no longer effective will be continued since no evaluation or justification of programs takes place. In addition, most institutions will want to adjust their programs in the face of external changes such as legislative developments, changing consumer markets, competitors' moves, etc.

2. Subjective Methods

a) ***Competitive Parity Method:*** This technique relies on matching your competitors' expenditures. While it may guide you to 'keeping up with the competition', it allows your competitors with different resources and objectives to dictate your budget. Thus, it can fail unless you are the same size and have the same goals as the competition. The assumption underlying this approach is that all firms in the marketplace have the same opportunities for profitable marketing. More likely, your opportunities will not be the same as your competitors'.

b) ***"All We Can Afford" Method:*** This method gives marketing whatever is left over after other functions have been budgeted and a satisfactory profit planned. The method relegates marketing to secondary status and does not consider the role of the marketing department or the objectives of the bank. It is possible that the resulting allocation will be too small to permit marketing to be effective. Or, at the other extreme, more may be spent than is necessary. For instance, at some point increasing the number of insertions of a newspaper advertisement may not be incrementally profitable. Furthermore, budgets that fluctuate radically from year to year will make long range planning and the attainment of long term objectives very difficult.

All these 'rule of thumb' methods limit the bank's flexibility and do not relate your expenditures to your specific marketing objectives. And, although a budget created by these methods may be easy to secure approval for, little planning or analysis has actually taken place. Still, they can be useful as decision parameters and often are used in conjunction with a more analytical procedure such as the following task/objective method.

3. Task/Objective Approach

This method, unlike the rules of thumb above, makes the budget an integral part of your total marketing plan based on an analysis of the unique needs of your own bank.

In this approach, you first establish marketing objectives for the bank. Next, set strategies and tactics to meet your objectives, then assign costs to the marketing activities or tasks you will use to achieve your goals. Although advertising is usually the largest portion of the marketing budget, we should be careful not to overlook the other marketing functions: public relations, sales promotion, sales training and marketing research. Costs are assigned to these functions based on their contribution toward achieving the objectives. Thus, the budget becomes the marketing plan in dollar terms.

The Marketing Plan

The marketing budget is the fifth of six components of a good marketing plan. There are four other steps which should be taken first. The key steps in formulating a marketing plan are the following:

1. ***Situation Analysis:*** Where are we today? What are our strengths and weaknesses? What opportunities and/or threats are facing us?
2. ***Objectives:*** Where do we want to be tomorrow? What specific goals do we want to achieve?
3. ***Strategy:*** What are the available paths to reach our goals? What will our organizational "game plan" be?
4. ***Tactics:*** What, specifically, will we do to implement the strategy? What action plans, timetables, activities, etc.?
5. ***Budget:*** How much will it cost? How will our resources be allocated?
6. ***Evaluation:*** Is it working? How do the actual results compare to our stated objectives?

There are important advantages to writing a thorough marketing plan. It brings organization and efficiency to both short term and long term activities of the bank. A written plan provides staff and suppliers time to prepare for and implement programs, and reduce the risk of errors or expense that accompany unplanned marketing. The plan assures that marketing activities occur in an orderly sequence, reaching the right prospects, at the right time, at the lowest expense possible.

Your written plan also is helpful from the organizational standpoint. It alerts others in the bank when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. The plan should be a written document, with input from a wide range of personnel. And, it should be considered an evolutionary document. Each plan your bank prepares is more accurate and thorough than earlier ones. For that reason, consider the plan a flexible document that changes with the marketplace.

Getting Your Budget and Plan Approved

When submitting your marketing plan and budget to management, keep the following points in mind.

- Do your homework. Know the history of the bank's marketing expenditures in prior years, and their marketing successes and failures. Know the marketing problems facing your bank and formulate strategies aimed at solving these problems.
- Anticipate any management objections . . . and prepare answers for them.
- Develop arguments to counter proposals to stop or curtail advertising or other marketing activities during temporary adverse conditions.
- Present marketing expenditures not as a cost but as an investment that leads to future profits.
- Submit realistic numbers. Don't "go in high." Stress that your budget has not been padded, that it represents the least expense that can be expected to achieve the desired objectives.

Managing With a Budget

A written plan and budget are blueprints for action. Rather than leaving results to chance and merely reacting to events on a day-to-day basis, use the plan as a **roadmap for actionable tasks,** allocating resources based on your stated objectives.

A marketing plan should not be set in stone, but rather should be adapted to changing economic and competitive conditions. Be prepared to cut or expand your budget to meet changing revenue, profit, cash flow requirements — or to take advantage of newly developed marketing opportunities. Or, you may need to counter unexpected expenditures by a competitor.

Planning is an on-going, dynamic process. A plan should be used daily, reviewed and updated. The greatest possible mistake is to write a marketing plan and put it on the shelf until it's time to write next year's plan. A good marketing plan is threadbare long before the year is over.

The plan and budget are also control mechanisms for evaluating progress toward the achievement of your marketing objectives. For the most effective measurement of promotional results against plan, your stated objectives and performance standards should be quantified whenever possible. Review actual program results periodically — at least on a monthly basis.

Expenditure levels should also be monitored and variances, whether below or above budgeted amounts, should be examined. If expenditures are running ahead of estimates — why? Have the underlying budget assumptions changed -- are unforeseen influences causing this variance? If so, perhaps, your objectives and strategies should be modified. If not, budget cuts may be in order. If expenditures are running behind estimates — are your goals being achieved without the planned expenditure and are there alternate, new opportunities to pursue? If goals are not being met, perhaps spending should be increased to the necessary level.

In conclusion, systematic planning can mean improved performance for your bank and more efficient achievement of your marketing objectives.

FACTORS THAT INFLUENCE THE BUDGET SIZE

Deciding on the proper size of your marketing budget is largely a matter of judgment. Some of the more important variables influencing this decision are:

- **Your Market:** The larger, more diverse your defined market, the larger your budget will tend to be. Reaching one or two well-defined market segments requires fewer resources than reaching a mass, diverse audience. Also, expanding to new markets will require advertising support, and correspondingly higher expenditure levels.
- **Your Services:** Heavier advertising expenditures to build consumer awareness and stimulate new business are generally necessary when introducing new products and services.
- **Your Competitors:** In general, market share correlates with share of voice — the share of total market advertising expenditures. This is not to say that spending in and of itself leads to advertising success. But advertising dollars are — or should be — related to the sales generated.
- **Your Management:** Your bank management's support of the advertising function and the degree of a marketing orientation (rather than an operational orientation) at your bank, will affect the marketing expenditure level. Particularly during a recession or when a bank's financial performance is below expectations, management's commitment to and understanding of marketing as an investment and not just an expense are crucial to maintaining spending levels.

HOW TO USE THE ANALYSIS

The "Analysis" can be helpful to you regardless of which method you use in preparing your own bank's budget.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. The basic categories used here are:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

Obviously, when making comparisons, it is important to be comparing similar items.

Defining terms

The items used on the "Expenditures" questionnaire were built around generally accepted industry definitions for consistency among responding banks.

Nevertheless, check your bank's classifications of expenditures to determine if there are any major differences with these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1989 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average 61% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but it is expensive. Cable television is a growing force in many markets but often reaches narrower segments. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations can change formats — and audiences — periodically. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken among both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

The first two tables, shown on pages 9 and 10, report the marketing expenditures made by responding banks during 1987.

In each of these tables there are statistics showing the average and median expenditure for 36 categories of marketing. They are grouped into five major functional areas:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

At the top of each column are the asset ranges for reporting banks. To learn, for example, the average expenditure for newcomer services in a $300 million bank, read across the top of the proper asset range ($250 million to $500 million), then down to "Newcomer Services" within the Sales Promotion category. In this case, the average expenditure amount shown in Table 1 is $4,000, and the median expenditure shown in Table 2 is $1,500.

At the bottom of each table, you will find the total marketing expenditure for the year. Because not all respondents included detail for each line item, the averages in each of the line items will not necessarily sum to the bottom 'total' line in these two tables. Nevertheless, the "total" line and each individual category total represent the average (or median) of all banks which reported an expenditure.

Average Expenditures

The figures for the average marketing expenditures during 1987 are shown for each asset range in Table 1 on Page 9 and graphically in Figure A on Page 8. The total marketing budgets range from $10,700 for the smallest banks to more than $6,376,000 for those banks with more than $5 billion in assets.

These totals can be used to create an index which relates the size of the marketing budget to the size of the bank.

This can be done by dividing the average marketing expenditure in each asset range by the midpoint of that range. For example, the average marketing expenditure for banks in the $100 million to $250 million asset range is $128,700.

That figure can be divided by the midpoint of the asset range ($175 million) to equal .000735 (or .073%). This figure indicates that, on average, banks in that asset range have a marketing budget which equals about .073% of their total assets.

The other asset ranges and the index for each are shown in the following table (note that the midpoint for banks under $10 million is assumed to be $7.5 million and for those over $5 billion it is assumed to be $12.5 billion):

Asset Range in Millions	Marketing Budget as % of Assets
Under $10	.142%
$ 10 — $ 25	.103
$ 25 — $ 50	.086
$ 50 — $100	.073
$100 — $250	.073
$250 — $500	.079
$500 — $1 Bil.	.075
$1 Bil. — $5 Bil.	.052
$5 Bil. or more	.051

Thus, the marketing budget as a percentage of total bank assets declines as the size of the bank increases. This may be due to economies of scale or other factors in larger banks.

Keep in mind, however, that this index should be used only in the very broadest sense for comparison and not as a formula for budgeting your bank's expenditures. The data are derived from wide asset ranges, and there are extreme budget variances within each range. Further, as described earlier in "Budgeting for Bank Marketing," the budgeting process involves much more than simply allocating a percentage of assets to marketing. Other tables later in this report will show how the type and size of market also influence the size of the budget within each asset category.

Median Expenditures

Table 2 and the graph in Figure A show the median expenditures which banks allocated for marketing in 1987. The median ranges from a low of $7,000 for the banks under $10 million in assets to a high of $5,342,000 for the largest banks (over $5 billion).

Median expenditures also are shown in Table 2 for each of the five functional areas of marketing and for all the detailed categories under them.

The median expenditure in each of the subcategories also is shown in Table 2. For example, the median expenditure for newspaper advertising among banks between $500 million and $1 billion is $70,000. As noted earlier, median expenditures typically are somewhat lower than the average expenditure for any particular category.

Percentage Allocations

Table 3 shows how respondents distributed their budget on a percentage basis. This table provides special insight into how banks allocate their expenditures and how the marketing priorities for banks change with their asset size.

Advertising

As in prior years of the "Analysis", advertising accounts for the largest expenditure of the five general marketing categories. The table reveals an increasing emphasis on advertising over other marketing functions as the size of the bank increases. For example, in the community banks, advertising accounts for 54% to 58% of the total marketing budget, while in the larger banks it accounts for 62% to 69% of the budget. In 1987, advertisting accounted for 61% of the marketing budget:

Year	Advertising as % of Marketing Budget
1982	62.0%
1983	66.0
1984	62.5
1985	61.4
1986	63.0
1987	61.0

Newspapers are the advertising medium receiving the largest share of the advertising budget in responding banks. For example, as shown in Table 3 and the graph in Figure B, they account for 20% to 22% of the marketing budgets in banks under $50 million. In larger banks, the percentage of the budget allocated to newspapers declines somewhat to a range between 15% and 17%.

Radio's share of the budget generally is in a range between 6% and 13% of the total budget, with the percentage declining as the size of the bank increases. Conversely, allocations to television increase dramatically, from only 1% to 2% in the smaller banks to a high of 14% of the budget in the largest banks. Thus, there is an apparent shift from newspaper and radio into television in the larger banks, possibly reflecting the size of their market and availability of the medium.

After newspaper and broadcast, direct response also accounts for a large share of the advertising budget. In the smallest banks, about 4% to 5% of the total marketing budget is allocated to direct response, while in the larger banks, the usage increases to 7% to 10%.

Production expense also accounts for a sizeable portion of the marketing budget, especially in the larger banks. It increases from 1% to 2% at the smallest banks and rises to 6% to 9% at the larger banks.

Magazine advertising also increases somewhat as the bank size increases, from 1% up to 4% at the largest banks. Expenditures for outdoor advertising remain relatively level regardless of bank size, at about 2% to 4% of the total marketing budget.

Public Relations

This category is negatively correlated to asset size, with the highest percentage of expenditures occurring in banks under $10 million (26%). The proportion declines to 22% in the middle range of asset sizes and to only 14% of the total marketing budget in the largest banks.

The single largest expenditure within Public Relations occurs for donations, accounting for 8% to 11% of budgets in banks under $100 million and 4% to 7% in banks above $500 million.

The next largest expenditure is for special events, which generally decline in proportion as the size of the bank increases. For example, in the smallest banks, about 5% to 9% of the total marketing budget is allocated to special events, but this decreases to as little as 2% or less in the largest banks. Shareholder relations also account for a sizeable portion of the budget - averaging about 3% to 4% among all asset ranges.

Sales Promotion

Overall, Sales Promotion expenditures account for 8% to 13% of the total marketing budget, with stronger emphasis among the smaller banks. Within Sales Promotion, the largest expenditures in community banks are for specialties (giveaways such as calendars, key chains, pens, etc.) ranging from 7% to 8% at the smallest banks to only 1% to 2% at the largest banks.

Staff Sales/Customer Relations Training

Expenditures range from a high of 6% in the smallest banks to as little as 1% to 3% in the larger banks. One probable reason for the percentage decline in larger banks is that the costs for training materials, such as videotapes, do not increase proportionately with bank size.

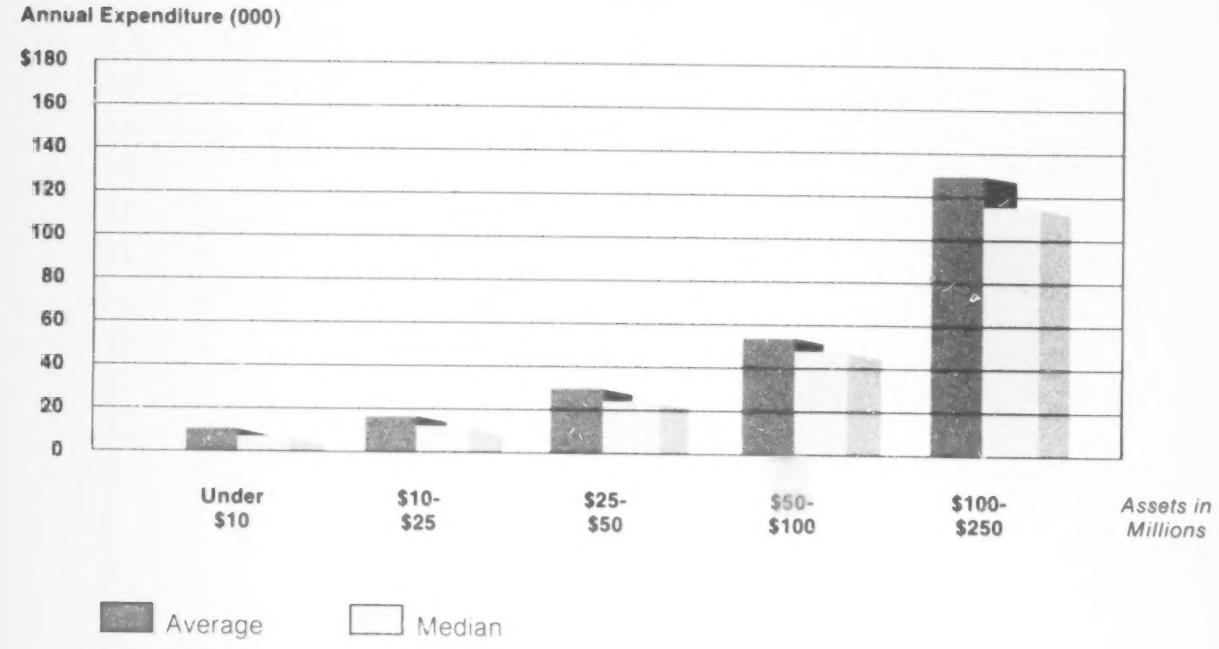
Marketing Research

Overall, expenditures for Marketing Research are somewhat larger than for Sales Training, averaging about 2% in the smaller banks and up to 5% in the larger banks. The largest portion of Marketing Research expenditures occurs for external expenses such as consultants, field work and data processing.

AVERAGE AND MEDIAN MARKETING EXPENDITURES

The two graphs below show the total average and the median expenditures by asset size as taken from Tables One and Two.

Figure A



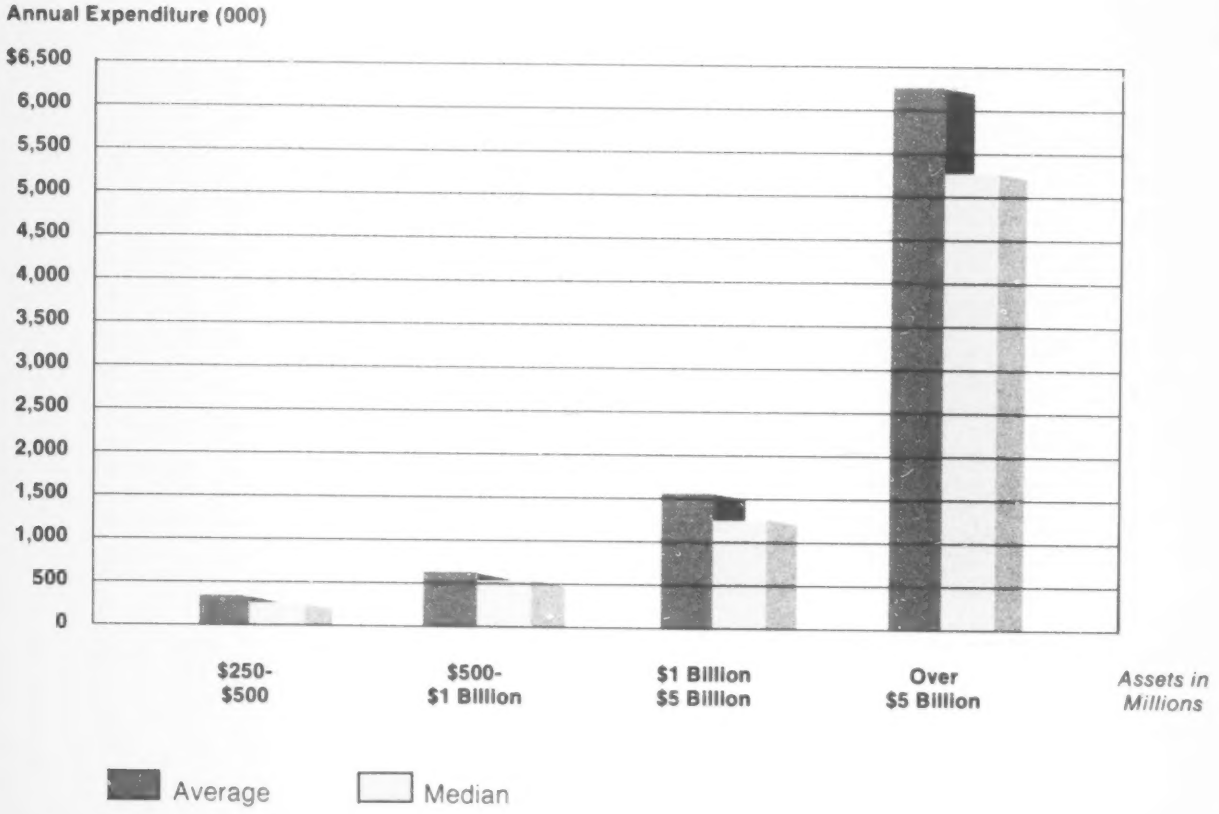


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1987, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ 8	$ 1.2	$ 2.2	$ 3.9	$ 6.4	$ 7.8	$ 19.4	$ 49.8	$ 308.1
Directories (telephone, bank, city, etc.)	7	9	1.6	1.8	4.0	8.1	11.8	29.9	85.9
Newspapers	3.0	4.3	8.0	9.5	21.2	53.0	99.2	297.2	984.7
Television	1.6	2.8	4.5	8.5	19.5	46.0	84.2	216.5	1004.0
Radio	3.1	3.2	5.5	7.7	17.5	32.5	49.0	109.1	506.7
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	1.5	2.5	3.1	3.8	6.8	20.9	45.2	181.6	460.1
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1.9	2.6	3.6	3.7	10.1	19.7	39.2	57.9	279.0
Production Expenses (artwork, talent, etc.)	5	2.5	2.8	4.8	10.7	25.3	55.9	134.8	461.9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	3.6	3.2	6.6	7.5	10.6	21.2	40.6	140.4	452.5
All Other Advertising	1.0	2.7	4.2	5.0	7.8	20.7	50.8	84.0	430.2
Sub-Total for Advertising	**6.1**	**10.5**	**18.9**	**31.9**	**75.6**	**186.7**	**376.3**	**1065.1**	**4379.3**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	2.1	1.6	2.4	2.9	7.5	19.0	36.7	79.0	319.3
Media Relations (press releases, press conferences, etc.)	4	2.2	1.4	1.4	1.5	3.2	4.3	11.7	47.2
Publications (community service publications, newsletters, etc.)	9	1.0	1.2	2.2	4.0	7.0	11.4	19.9	105.7
Special Events (seminars, anniversaries, open house, etc.)	3.4	1.8	2.9	3.7	8.6	17.6	20.7	50.8	45.4
Public Relations Consultants Fees		.5	9.0	2.9	9.9	15.8	26.6	20.9	63.9
Donations (donation advertising—schools, churches, civic clubs and related publications)	1.4	2.0	3.2	7.0	13.8	26.9	30.5	148.5	491.7
All Other Public Relations	1.1	2.3	4.7	6.2	11.6	16.1	19.2	24.4	102.6
Sub-Total for Public Relations	**3.5**	**4.1**	**8.0**	**13.6**	**31.6**	**69.5**	**94.4**	**265.7**	**913.6**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	7.0	1.8	1.7	4.2	6.2	10.9	19.1	23.1	203.9
Newcomer Services (non-salary only)		.6	1.0	.9	1.7	4.0	3.9	15.8	45.0
Specialties (giveaways, such as calendars, pens, etc.)	1.6	2.2	3.7	4.5	7.7	12.3	15.8	22.2	159.2
Point-of-Sale Materials (displays, banners, brochures, etc.)	1.0	.8	1.7	3.0	5.0	11.3	27.7	59.4	257.5
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1.3	2.1	2.0	3.5	5.2	11.3	23.0	86.3	343.8
All Other Sales Promotion Expenses	1.5	2.0	5.2	3.7	6.6	8.2	7.6	80.2	252.5
Sub-Total for Sales Promotion	**2.4**	**3.1**	**5.2**	**8.0**	**16.1**	**33.7**	**58.1**	**139.3**	**629.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	2.7	4.2	1.8	3.8	4.3	8.7	20.8	30.1	215.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.6	1.3	1.7	1.6	4.3	5.3	19.2	19.3	139.0
All Other Sales Staff/Customer Relations Training	3.0	1.0	3.3	4.5	4.8	10.1	15.6	39.7	37.9
Sub-Total for Staff Sales/Customer Relations Training	**2.1**	**2.9**	**2.9**	**4.1**	**6.2**	**12.4**	**32.1**	**41.0**	**349.9**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	.5	14.5	5.0	18.8	7.2	8.9	17.4	70.3	334.1
Non-Salary Internal Expenses	.2	.6	.8	26.4	1.7	2.5	4.8	20.4	92.9
All Other Marketing Research		.5	3.2	1.8	2.4	4.9	8.7	46.1	75.5
Sub-Total for Marketing Research	**.4**	**10.0**	**4.1**	**5.4**	**5.8**	**8.7**	**18.2**	**83.7**	**377.1**
All Other Non-Salary Marketing Expenses	.4	6.8	5.9	10.3	16.5	19.1	75.5	87.0	250.0
Total Marketing Expenditures	**10.7**	**18.0**	**32.4**	**54.7**	**128.7**	**298.4**	**563.8**	**1555.9**	**6376.6**

TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1987, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ 5	$ 7	$ 9	$ 10	$ 20	$ 36	$ 80	$ 341	$ 2883
Directories (telephone, bank, city, etc.)	4	6	10	13	25	70	80	200	430
Newspapers	15	35	52	71	154	443	700	2021	7602
Television	4	15	10	34	122	250	550	1456	11205
Radio	10	20	39	66	154	213	350	664	4130
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	10	12	20	24	40	110	220	850	3776
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	10	10	20	29	76	120	282	500	2117
Production Expenses (artwork, talent, etc.)	3	10	18	22	63	177	392	1000	4455
Fees & Commissions (advertising agency, media representative, consultants, etc.)	11	22	30	50	82	169	300	1000	2340
All Other Advertising	8	18	38	27	40	80	180	550	3550
Sub-Total for Advertising	**3.4**	**8.0**	**13.0**	**27.5**	**65.0**	**155.0**	**298.0**	**991.3**	**4108.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	4	10	10	11	30	168	300	800	2300
Media Relations (press releases, press conferences, etc.)	4	25	10	5	10	10	15	55	160
Publications (community service publications, newsletters, etc.)	5	10	10	15	23	40	100	140	500
Special Events (seminars, anniversaries, open house, etc.)	5	10	10	23	50	100	100	384	200
Public Relations Consultants Fees		5	60	20	60	72	210	120	360
Donations (include donation advertising—schools, churches, civic clubs)	10	15	25	50	100	200	180	415	2750
All Other Public Relations	6	10	40	45	50	100	132	200	750
Sub-Total for Public Relations	**1.5**	**3.0**	**6.0**	**10.5**	**24.8**	**56.7**	**73.0**	**178.0**	**762.5**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	70	14	10	20	43	40	100	150	2500
Newcomer Services (non-salary only)		4	5	5	10	15	25	100	200
Specialties (giveaways, such as calendars, pens, etc.)	12	18	30	35	68	100	120	180	1000
Point-of-Sale Materials (displays, banners, brochures, etc.)	10	5	10	11	30	50	180	366	2000
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	5	15	10	10	30	50	100	122	1000
All Other Sales Promotion Expenses	3	17	25	15	50	40	60	470	2000
Sub-Total for Sales Promotion	**1.5**	**2.2**	**4.0**	**5.8**	**13.7**	**25.3**	**43.0**	**90.0**	**300.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	10	20	10	18	25	60	100	159	350
Non-Salary Internal Expenses (development, printing, classroom, etc.)	5	8	10	10	20	20	40	120	850
All Other Sales Staff/Customer Relations Training	30	8	10	18	15	50	50	350	100
Sub-Total for Staff Sales/Customer Relations Training	**1.0**	**1.5**	**1.7**	**2.0**	**3.0**	**6.2**	**10.0**	**25.0**	**115.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	5	50	10	22	22	50	150	569	3000
Non-Salary Internal Expenses	.2	5	10	5	10	10	20	153	500
All Other Marketing Research		.5	.7	10	14	20	87	150	300
Sub-Total for Marketing Research	**.2**	**3.5**	**1.0**	**2.0**	**2.4**	**5.0**	**15.0**	**55.0**	**350.0**
All Other Marketing Expenses	4	22	20	50	100	126	250	570	750
Total Marketing Expenditures	**7.0**	**13.5**	**25.4**	**47.6**	**114.3**	**253.0**	**504.1**	**1311.0**	**5342.8**

TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1987 BY ASSET SIZE

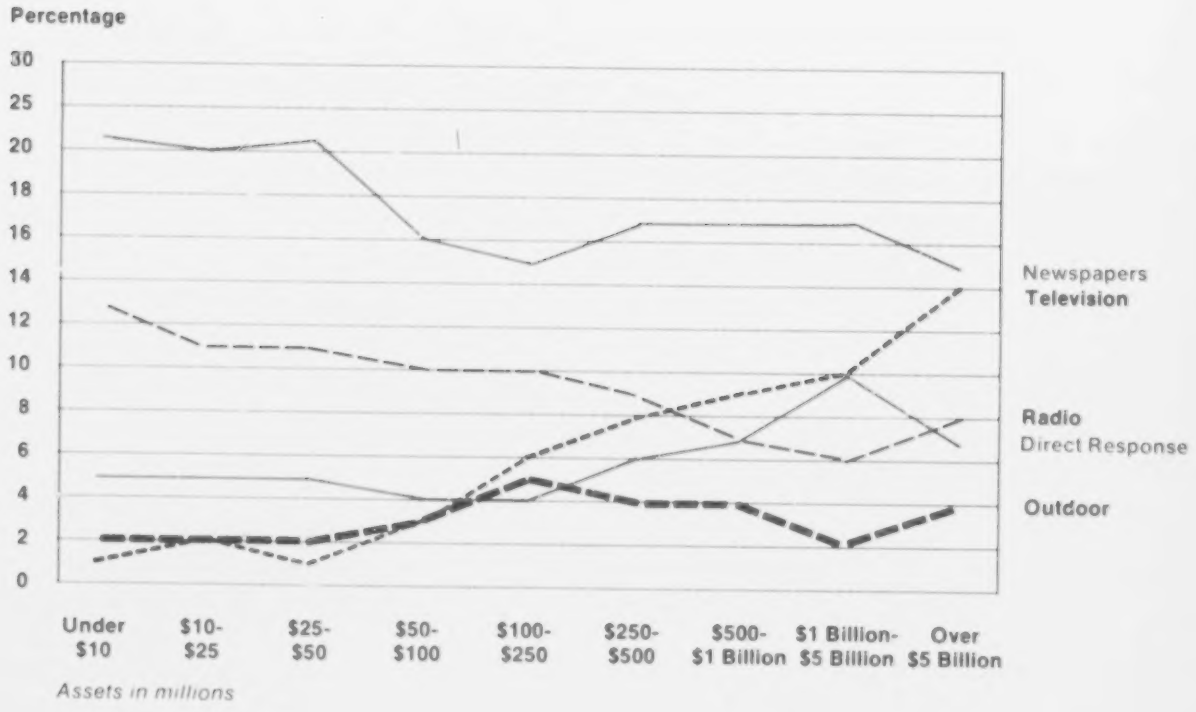
Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	1%	1%	1%	2%	2%	1%	3%	2%	4%
Directories (telephone, bank, city, etc.)	3	3	3	2	2	2	2	1	1
Newspapers	22	20	22	16	15	17	17	17	15
Television	1	2	1	3	6	8	9	10	14
Radio	13	11	11	10	10	9	7	6	8
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	5	5	5	4	4	6	7	10	7
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	2	2	2	3	5	4	4	2	4
Production Expenses (artwork, talent, etc.)	1	2	2	5	6	7	9	7	6
Fees & Commissions (advertising agency, media representative, consultants, etc.)	1	2	5	5	4	4	5	7	3
All Other Advertising	1	3	2	3	2	2	2	2	4
Sub-Total for Advertising	**54**	**57**	**58**	**58**	**58**	**62**	**67**	**68**	**69**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	4	3	3	2	3	4	5	3	4
Media Relations (press releases, press conferences, etc.)	*	*	*	*	*	*	*	*	*
Publications (community service publications, newsletters, etc.)	1	1	1	1	2	1	1	1	1
Special Events (seminars, anniversaries, open house, etc.)	9	4	5	4	5	5	3	2	*
Public Relations Consultants Fees		*	1	*	*	1	1	*	*
Donations (include donation advertising—schools, churches, civic clubs)	8	9	9	11	10	8	4	7	6
All Other Public Relations	2	1	3	3	3	2	1	1	1
Sub-Total for Public Relations	**26**	**20**	**23**	**23**	**24**	**22**	**16**	**15**	**14**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	1	*	*	1	1	1	1	*	1
Newcomer Services (non-salary only)		*	*	*	*	*	*	*	*
Specialties (giveaways, such as calendars, pens, etc.)	8	7	8	6	5	3	2	1	2
Point-of-Sale Materials (displays, banners, brochures, etc.)	1	1	1	2	2	3	4	3	3
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	2	1	1	2	2	2	2	3	4
All Other Sales Promotion Expenses	1	*	1	1	1	1	*	1	1
Sub-Total for Sales Promotion	**13**	**12**	**12**	**12**	**12**	**10**	**9**	**8**	**10**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	2	2	1	2	1	1	1	1	2
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1	1	1	*	1	1	1	*	1
All Other Sales Staff/Customer Relations Training	2	*	1	1	1	1	*	*	*
Sub-Total for Staff Sales/Customer Relations Training	**6**	**4**	**3**	**3**	**2**	**2**	**3**	**1**	**3**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	*	6	2	6	1	2	2	3	4
Non-Salary Internal Expenses	*	*	*	4	*	*	*	*	*
All Other Marketing Research		*	*	*	*	*	*	*	*
Sub-Total for Marketing Research	*	**6**	**2**	**2**	**2**	**2**	**2**	**5**	**5**
All Other Marketing Expenses	*	2	1	1	2	1	3	2	*
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)

Figure B



WHERE THE BUDGET IS SPENT

While Table 3 shows the percentage amount which banks spend on each category of the budget, Table 4 shows the percentage of banks which spent any money on each marketing function.

Of the major marketing functions, advertising is used by virtually all respondents, except a minor percentage of the smallest banks.

Within advertising, newspapers are the most common expenditure, used by 79% of smaller banks and up to 100% of the largest. Directory advertising is used by 56% of the smallest banks, increasing to 82% to 93% among the largest banks. Radio is used by 46% of the smallest banks, by about 75% of the middle tier banks, and by 84% to 100% of the largest banks.

Direct response is used by about one-third of the smaller banks, but increases to about 75% of middle tier banks and to 100% of the largest banks. While magazines, television and outdoor are used by only 9% of the smallest banks, their use increases to 92% among the largest banks.

At least 79% of all banks reported an expenditure for Public Relations, with 97% of the middle tier banks reporting expenditures. The most frequently reported expenditures were for donations (ranging from 63% to 89% of banks) followed by special events (28% to 82%) and stockholder relations (23% to 75%). Expenditures were reported less often for media relations (2% to 58%) and for public relations consultants (2% to 50%).

Sales Promotion expenditures were reported by 60% to 100% of all responding banks, with the most common expenditure for specialties (51% to 85%), followed by point-of-sale materials (9% up to 78%). Employee incentives were used by 11% to 16% of the smaller banks and up to 67% of the larger banks.

While only a small portion of the community banks reported nonsalary expenditures for Marketing Research (5% to 26%), most of the larger banks (67% to 85%) reported expenditures, such as for external fees.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1987 BY ASSET SIZE

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	9%	22%	16%	33%	37%	58%	78%	67%	92%
Directories (telephone, bank, city, etc.)	56	69	68	76	82	93	83	78	83
Newspapers	79	85	89	91	94	96	94	89	100
Television	9	15	11	20	39	52	61	69	92
Radio	46	63	68	72	73	79	85	84	100
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	37	40	56	63	74	82	89	89	100
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	9	17	21	38	60	60	61	67	92
Production Expenses (artwork, talent, etc.)	14	17	27	56	73	87	91	85	83
Fees & Commissions (advertising agency, media representative, consultants, etc.)	5	12	24	38	55	63	70	74	50
All Other Advertising	14	22	19	30	33	34	28	31	67
Sub-Total for Advertising	**95**	**97**	**99**	**99**	**99**	**99**	**100**	**100**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	23	30	44	41	58	71	70	60	75
Media Relations (press releases, press conferences, etc.)	5	2	11	12	19	31	52	47	58
Publications (community service publications, newsletters, etc.)	16	24	27	37	53	55	72	58	83
Special Events (seminars, anniversaries, open house, etc.)	28	38	54	53	72	82	78	65	67
Public Relations Consultants Fees		2	3	7	7	11	15	27	50
Donations (include donation advertising—schools, churches, civic clubs)	63	79	87	86	89	89	83	76	75
All Other Public Relations	16	11	22	30	36	40	28	38	50
Sub-Total for Public Relations	**79**	**87**	**95**	**94**	**97**	**96**	**94**	**89**	**92**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	2	4	10	10	24	24	28	25	25
Newcomer Services (non-salary only)		6	7	15	23	22	24	13	17
Specialties (giveaways, such as calendars, pens, etc.)	51	61	67	70	83	85	83	73	67
Point-of-Sale Materials (displays, banners, brochures, etc.)	9	17	28	40	63	72	78	78	75
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	16	11	23	26	46	59	50	47	67
All Other Sales Promotion Expenses	5	4	7	10	17	21	7	16	17
Sub-Total for Sales Promotion	**60**	**70**	**78**	**85**	**93**	**90**	**93**	**94**	**100**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	9	11	21	24	3[illegible]	35	39	44	50
Non-Salary Internal Expenses (development, printing, classroom, etc.)	14	12	11	19	24	35	28	33	42
All Other Sales Staff/Customer Relations Training	7	9	13	12	17	17	17	7	25
Sub-Total for Staff Sales/Customer Relations Training	**30**	**25**	**38**	**45**	**52**	**53**	**50**	**54**	**50**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	2	7	11	17	26	53	65	74	83
Non-Salary Internal Expenses	2	5	5	7	11	16	22	29	25
All Other Marketing Research		1	3	7	13	15	9	11	17
Sub-Total for Marketing Research	**5**	**11**	**17**	**26**	**41**	**67**	**72**	**85**	**83**
All Other Marketing Expenses	2	5	5	6	15	21	20	33	17
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

While asset size, of course, is a key factor in determining the actual size of a bank's marketing expenditures there are other influences, too, including the size of the market the bank is located in. Tables 5, 6 and 7 show how marketing expenditures are influenced by these factors in a variety of table formats.

Table 5 shows the average marketing expenditure for each of the 36 categories by four different market sizes, from under 100,000 to over 1 million population.

In the smallest markets, marketing expenditures are slightly lower than they were in the 1986 study ($63,100 now versus $40,000 then).

In the markets with 100,000 to 500,000 population expenditures are about the same as in 1986. In the middle size markets (500,000 to 1 million), expenditures are up from $418,000 in 1986 to $599,600 in 1987. In the largest markets, the expenditures ($1.8 million) were slightly lower than in 1986 ($1.9 million).

Advertising expenditures were down somewhat from 1986 in both the very smallest and the largest markets, but were up significantly in the 500,000 to 1 million markets (from $254,600 to $399,600).

Public Relations expenditures were about the same in all markets as in 1986, but in the largest markets they increased by more than 13% to $296,700.

Sales Promotion expenditures stayed approximately the same as in 1986 in smaller markets, but increased by about one third in the two largest market segments.

Staff Sales/Customer Relations Training rose significantly from 1986, especially in the largest markets where they increased from $43,500 in 1986 to $74,800 in 1987.

Expenditures for Marketing Research were about the same as in 1986 in the smaller markets, but increased significantly in larger markets.

Of the responding banks, 61% were in markets under 100,000; 24% in markets from 100,000 to 500,000; 7% in markets from 500,000 to 1 million, and 8% were in markets over 1 million.

Tables 6 and 7 show marketing expenditures by asset size and market type so that the reader can identify the influence these factors have on the marketing budget. For example, you could use the data in Table 6 or 7 to determine the overall marketing expenditures in markets similar to yours, then factor the data down for any of the individual categories based on the detail provided in Table 5.

As an example, consider a bank with $750 million in assets. As Table 6 indicates, their average budget varies by the size of market: In those with markets under 100,000 in population, the average marketing expenditure is $273,800; in markets up to 500,000 it is $517,300; in markets of 500,000 to 1 million it is $607,400, and in markets over $1 million, it is $704,800.

These tables should be useful both in preparing your own budget, and in estimating how much competitors in your market may be spending. But these data should not be considered hard and fast absolutes. Your bank's marketing plan, as described earlier in "Traditional Budgeting Techniques" on Page 3 should take into consideration the factors of your marketplace such as size, available media and competition.

Smaller banks with their smaller budgets need not necessarily be at a disadvantage. They can compete successfully with larger institutions by seeking out opportunities in a special niche . . . such as serving small businesses, or professionals, or by providing custom banking services to the wealthy, rather than trying to be all things to all people. As an example of the diverse nature of budgets in a common market, examine Table 7. In urban markets of 1 million or more, the budgets range from a low of $6,100 to a high of more than $5,342,000, and the median is $148,800.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1987, $000)

Expenditure Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.6	$ 8.7	$ 22.5	$ 110.6
Directories (telephone, bank, city, etc.)	2.1	7.0	12.4	29.9
Newspapers	12.1	41.7	114.1	322.0
Television	11.2	45.3	119.4	445.3
Radio	9.9	24.9	50.0	220.5
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	4.4	19.8	42.7	207.8
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	6.9	19.3	36.8	110.8
Production Expenses (artwork, talent, etc.)	7.9	26.8	64.0	138.4
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8.0	20.2	61.7	142.3
All Other Advertising	5.4	15.4	72.3	185.7
Sub-Total for Advertising	**37.0**	**153.3**	**399.6**	**1246.7**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	5.1	12.8	38.2	94.8
Media Relations (press releases, press conferences, etc.)	1.3	3.4	7.2	14.5
Publications (community service publications, newsletters, etc.)	2.5	6.2	13.4	34.7
Special Events (seminars, anniversaries, open house, etc.)	4.8	14.6	26.1	32.7
Public Relations Consultants Fees	7.2	7.8	28.0	30.5
Donations (include donation advertising—schools, churches, civic clubs)	7.5	21.7	43.7	155.6
All Other Public Relations	6.5	15.8	21.5	35.5
Sub-Total for Public Relations	**15.6**	**49.1**	**110.7**	**296.7**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	4.7	9.4	15.1	58.5
Newcomer Services (non-salary only)	1.2	4.0	6.9	14.5
Specialties (giveaways, such as calendars, pens, etc.)	4.9	10.2	15.1	37.1
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.2	11.3	29.9	69.1
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	4.0	9.6	28.4	108.6
All Other Sales Promotion Expenses	6.4	10.1	4.0	69.0
Sub-Total for Sales Promotion	**9.0**	**26.5**	**57.6**	**192.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	4.8	8.6	15.9	66.1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2.4	9.0	8.4	40.7
All Other Sales Staff/Customer Relations Training	4.8	7.3	16.6	19.2
Sub-Total for Staff Sales/Customer Relations Training	**5.4**	**12.3**	**21.5**	**74.8**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	9.4	15.5	31.6	119.0
Non-Salary Internal Expenses	1.3	14.7	16.4	24.0
All Other Marketing Research	2.0	4.8	24.0	38.8
Sub-Total for Marketing Research	**7.2**	**10.4**	**34.3**	**122.7**
All Other Marketing Expenses	9.6	23.4	72.7	100.2
Total Marketing Expenditures	**63.1**	**236.5**	**599.6**	**1825.6**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1987, $000)

Population Size	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	40	121	124	125	135	31	3	d	
Average Expenditure	**$ 10.1**	**$ 17.5**	**$ 29.6**	**$ 49.4**	**$109.8**	**$241.4**	**$273.8**		
Minimum Expenditure	1.0	1.5	3.5	8.6	9.2	86.9	170.0		
Maximum Expenditure	75.8	125.9	364.5	210.1	476.7	824.2	415.0		
Median Expenditure	**6.5**	**13.0**	**24.1**	**42.6**	**97.0**	**205.1**	**236.5**		
100,000 - 500,000									
Number of Reporting Banks		12	20	31	76	55	23	12	
Average Expenditure		**20.4**	**43.9**	**71.5**	**152.3**	**316.7**	**517.3**	**846.7**	
Minimum Expenditure		3.0	1.8	19.2	11.0	111.1	15.4	118.0	
Maximum Expenditure		40.0	166.4	215.4	438.7	760.5	1163.5	1699.7	
Median Expenditure		**18.0**	**26.0**	**64.0**	**130.0**	**272.0**	**473.0**	**767.4**	
500,000 - 1 Million									
Number of Reporting Banks				2	11	18	20	13	
Average Expenditure				**79.9**	**168.3**	**369.0**	**607.4**	**1435.8**	
Minimum Expenditure				49.7	74.4	37.2	158.0	607.3	
Maximum Expenditure				110.0	338.5	1777.5	1102.0	2382.1	
Median Expenditure				**49.7**	**156.7**	**271.5**	**531.4**	**1268.2**	
1 Million or More									
Number of Reporting Banks	2	2	2	4	12	7	7	27	12
Average Expenditure	**22.8**	**11.0**	**86.5**	**76.6**	**150.6**	**236.6**	**704.8**	**1905.7**	**6376.6**
Minimum Expenditure	6.5	10.6	33.0	37.0	60.5	6.1	145.0	582.6	660.0
Maximum Expenditure	39.0	11.5	140.0	118.9	300.5	561.6	1373.5	4275.0	13145.0
Median Expenditure	**6.5**	**10.6**	**33.0**	**37.5**	**123.0**	**229.9**	**685.5**	**1905.0**	**5342.8**

d — Disclosure. Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1987, $000)

Population Size	Market Type				
	More than One State	Statewide	Urban	Suburban	Rural
Under 100,000					
Number of Reporting Banks	9	5	74	107	380
Average Expenditure	**$ 92.8**	**$275.2**	**$102.7**	**$ 90.6**	**$ 44.1**
Minimum Expenditure	1.5	7.2	6.0	1.4	1.0
Maximum Expenditure	238.6	1097.0	415.0	824.2	462.1
Median Expenditure	**30.8**	**74.1**	**70.5**	**55.3**	**28.2**
100,000 -500,000					
Number of Reporting Banks	12	8	85	97	25
Average Expenditure	**116.0**	**408.9**	**252.6**	**242.4**	**149.3**
Minimum Expenditure	1.8	15.4	3.0	4.3	9.2
Maximum Expenditure	375.2	1345.0	1699.7	1163.5	601.3
Median Expenditure	**42.5**	**139.8**	**179.5**	**186.6**	**115.9**
500,000 - 1 Million					
Number of Reporting Banks		13	19	32	
Average Expenditure		**851.2**	**460.2**	**597.1**	
Minimum Expenditure		152.8	52.2	37.2	
Maximum Expenditure		2267.2	1360.0	2382.1	
Median Expenditure		**689.4**	**388.1**	**279.1**	
1 Million or More					
Number of Reporting Banks	10	27	23	13	
Average Expenditure	**2758.2**	**2951.4**	**735.8**	**880.6**	
Minimum Expenditure	6.5	39.0	6.1	37.0	
Maximum Expenditure	8000.0	13145.0	5342.8	2664.6	
Median Expenditure	**1905.0**	**1651.3**	**148.8**	**561.6**	

To obtain an understanding of which products in the bank are receiving marketing support in the form of expenditures, respondents are asked to describe the allocation of their total budget among the following:

A) Retail (to individuals)
B) Commercial/Corporate (to businesses)
C) Trust
D) Institutional

The findings from these responses are reported in Tables 8 through 12

Percentage Allocations

Community banks spent about the same proportion of their budget on retail services in 1987 as they did in 1986 (62% vs 61%). However, as shown in Table 8 and Figure C, banks over $100 million spent a slightly smaller share of their budget on retail services in 1987 (57%) than in 1986 (59%).

Expenditures on commercial/corporate services accounted for about 16% of banks' budgets for both 1987 and 1986. However, among medium and larger size banks, the percentage allocated to this area decreases as the size of the bank increases. For example, banks in the $100 million to $250 million range allocated 21.5% of their budget to commercial/corporate services. But among the banks over $1 billion, only about 11% went to this area.

Trust marketing shows a very steadily increasing emphasis as the size of the bank increases. While banks under $100 million spent about 4% of their total budget on trust services, banks over $100 million spent at nearly double that rate (7%).

Highest emphasis on trust marketing was among the banks over $5 billion in assets where it accounted for 16.1% of their total marketing budget.

Advertising for institutional services generally increases with the size of the bank. Among the banks under $100 million, the average expenditure was 12% of their total budget. Among those over $100 million, the average increased to 18%. The highest expenditures occurred in those banks with between $500 million and $5 billion in assets where institutional advertising accounted for 18.3% to 19.7% of their total budget.

Marketing expenditures for 'other' unspecified services declined to 2% in 1987 from about 3.5% .

Table 9 shows the percentage of banks which allocated expenditures to each major type of service.

The most commonly marketed area, of course, is retail services which are promoted by 80% or more of the banks over $10 million.

Commercial/corporate services were marketed by 63% of the banks under $100 million, and by 77% of those over $100 million.

Trust services were marketed by only 12.2% of the banks under $100 million, but by many more (58.1%) of the banks over $100 million.

Banks under $100 million also marketed institutional services less often (31.1%) than did those over $100 million (67.6%). Usage of institutional marketing was highest among those banks with assets from $250 million to $500 million (70.2%) and those over $5 billion (75%).

Amount of Expenditures

Table 10 shows the average expenditures for each major service type by the nine asset ranges. Retail expenditures, of course, account for the largest share in each asset category, ranging from a low of $6,300 in the smallest banks to more than $4,126,000 in the largest.

The category with the second highest expenditures especially in larger banks is institutional marketing. While the smallest banks spend only $2,700, the largest spend more than $1,520,000.

Expenditures for commercial/corporate marketing range from $1,400 at smaller banks to $862,000 at the largest.

Trust marketing averages $1,100 at smaller banks and exceeds $780,000 in the largest.

Table 11 shows the median expenditures for retail, commercial/corporate, trust and institutional marketing for all bank ranges. Again, median expenditures are generally less than the averages shown in Table 10.

The influence of the size of a market on the spending for various service categories is shown in Table 12. Here, the average expenditures for retail services range from $40,000 in the markets under 100,000 population to more than $1,073,000 in markets larger than one million.

Average commercial/corporate expenditures increase from $13,400 in small markets to $204,000 in the larger markets. Trust increases from $2,600 to $135,900; institutional from $9,300 to $348,000 and "other" expenditures from $1,500 to $49,000.

TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE IN 1987 BY ASSET SIZE

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	65.9%	62.5%	59.3%	58.9%	54.6%	55.5%	59.9%	61.4%	54.0%
Commercial/Corporate (business)	9.1	24.4	24.4	23.0	21.5	19.8	14.9	10.2	11.4
Trust	9.3	4	2.3	2.4	4.6	4.9	5.1	5.8	16.1
Institutional	15.3	9.4	10.9	14.0	17.2	17.2	18.3	19.7	15.9
Other	.3	3.3	3.0	1.7	2.1	2.5	1.8	2.9	2.6
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Figure C

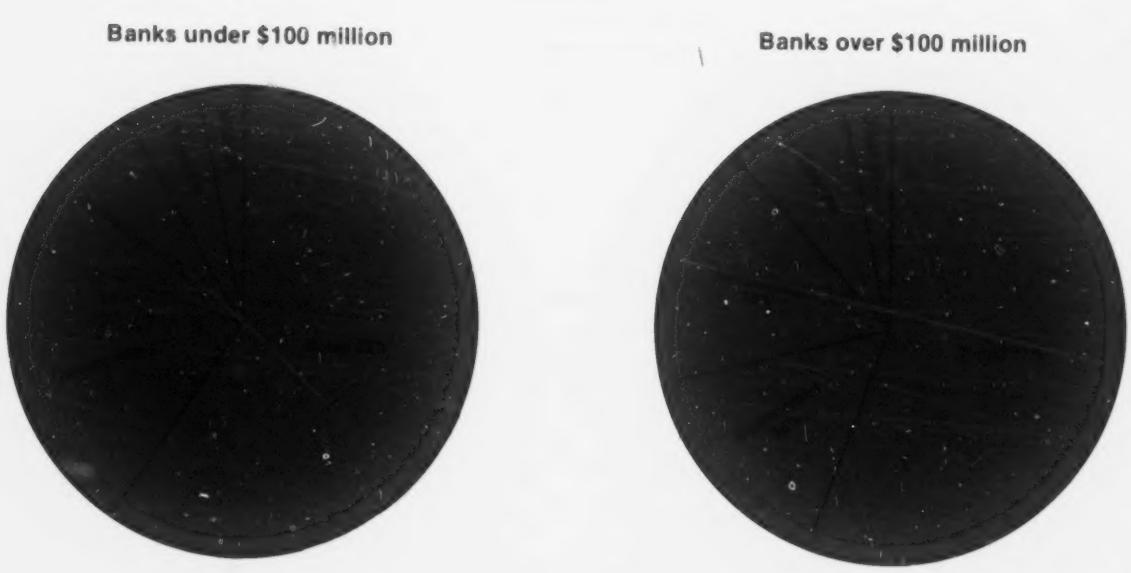


TABLE 9
PERCENTAGE OF REPORTING BANKS' MARKETING EACH SERVICE IN 1987 BY ASSET SIZE

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	55.8%	80.4%	81.2%	84.6%	89.1%	88.6%	94.4%	89.1%	83.3%
Commercial/Corporate (business)	37.2	63.8	71.1	79.0	77.3	79.8	75.9	70.9	83.3
Trust	11.6	5.8	10.1	21.6	41.2	54.4	64.8	63.6	66.7
Institutional	23.3	25.4	31.5	44.4	66.4	70.2	68.5	58.2	75.0
Other	2.3	8.0	7.4	11.1	12.6	17.5	22.2	23.6	33.3

TABLE 10
AVERAGE MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1987, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 6.3	$11.9	$20.5	$31.1	$71.2	$176.0	$343.8	$968.1	$4126.3
Commercial/Corporate (business)	1.4	7.0	10.3	14.8	33.0	65.3	94.1	156.1	862.3
Trust	—	1.1	13.0	6.0	12.7	20.4	37.9	116.5	780.8
Institutional	2.7	6.5	8.8	16.5	31.4	74.8	128.3	492.0	1526.3
Other	.5	3.9	10.9	6.4	17.4	37.1	38.1	153.0	405.2

TABLE 11
MEDIAN MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1987, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 5.2	$ 9.7	$15.3	$25.7	$58.5	$128.5	$290.5	$724.2	$3075.0
Commercial/Corporate (business)	1.0	4.1	6.4	9.4	19.9	41.3	66.6	116.5	730.7
Trust	3.3	.5	2.7	4.1	9.0	15.0	26.4	64.6	448.7
Institutional	2.0	2.9	5.1	11.0	25.5	39.9	116.5	358.9	1068.6
Other	.5	2.4	4.1	5.1	12.3	20.6	30.1	41.3	162.4

TABLE 12
AVERAGE MARKETING EXPENDITURES BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1987, $000)

Service Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$40.4	$138.8	$349.3	$1073.7
Commercial/Corporate (business)	13.4	36.8	92.9	204.0
Trust	2.6	11.4	25.8	135.9
Institutional	9.3	53.3	101.7	348.8
Other	1.5	4.6	8.8	49.0

MARKETING EXPENDITURES FOR TELEMARKETING

For the first time this year, the "Expenditures Analysis" asked respondents to report on the use of telemarketing for sales purposes in their bank. They were asked to indicate whether they used telemarketing and, if so, what for, how much they spent on it and whether they intended to increase or decrease their expenditures on it in the future.

The use of telemarketing for sales purposes increases sharply with bank size as shown in Table 13 and the graph in Figure D. Among banks under $100 million in assets, less than 9% report using telemarketing. But among larger banks, the usage increases sharply.

Among those banks between $100 million and $250 million, 17.6% use it either in retail or commercial marketing. Among banks between $250 million and $500 million, nearly 30% use it. More than 43% of banks between $500 million and $1 billion and 57.7% of banks between $1 billion and $5 billion use it. Among the largest banks, 75% report using it for sales purposes.

TABLE 13
USE OF TELEMARKETING FOR SALES PURPOSES IN 1987

Type Used	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Consumer Inbound	2.9%	2.5%	2.3%	5.6%	10.4%	19.8%	17.6%	42.3%	50.0%
Used Consumer Outbound		1.7	3.8	4.9	9.5	21.7	31.4	46.2	66.7
Used Commercial Inbound			1.5	.7	3.6	3.8	2.0	5.8	16.7
Used Commercial Outbound			1.5	.7	3.2	3.8	3.9	7.7	16.7
Did Not Use Telemarketing in 1987	97.1	97.5	93.1	91.5	82.4	70.8	56.9	42.3	25.0

PERCENTAGE OF BANKS USING TELEMARKETING IN 1987
(All Reporting Banks - 1987)

Figure D

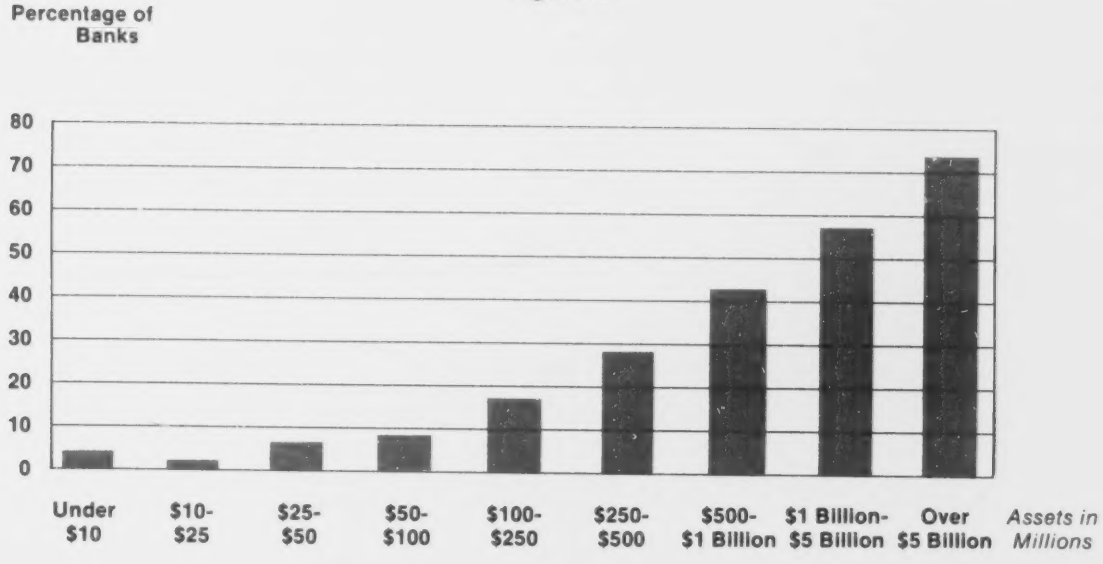


TABLE 14
USE OF TELEMARKETING FOR SALES PURPOSES IN 1987

Type Used	Population Size: Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Consumer Inbound	6.4%	12.4%	14.3%	34.3%
Used Consumer Outbound	5.2	17.1	27.0	31.4
Used Commercial Inbound	1.4	3.3		8.6
Used Commercial Outbound	1.0	3.8	1.6	10.0
Did Not Use Telemarketing in 1987	91.3	75.2	65.1	54.3

For Retail Consumers

By a wide margin, banks are using telemarketing more for retail consumer applications than for commercial purposes. As shown by Table 13, in smaller banks the usage of consumer telemarketing ranges between 2% and 6%, while commercial applications are used in less than 2% of banks. In the middle tier banks, consumer telemarketing is used at about 10% to 30% of banks, while commercial telemarketing is used at less than 4%. Among the two largest size ranges, 45% to 66% of banks use telemarketing for consumer purposes, while only 6% to 16% use it for commercial purposes.

Of the banks using telemarketing, the most popular form is consumer outbound which was used by 46.2% to 66.7% of the larger banks. Among the same banks, consumer inbound was used 42.3% to 50%. In contrast, only 7.7% to 16.7% of the same banks used commercial outbound telemarketing.

As shown in Table 14 telemarketing is used primarily by banks in larger population markets. In the smallest markets, under 100,000, only 8.7% of banks used telemarketing in 1987. Of them 6.4% and 5.2% used it for consumer inbound and outbound respectively. Only 1.4% used it for commercial inbound and only 1% used it for commercial outbound. In the next largest markets, 100,000 to 500,000, consumer inbound usage doubles to 12.4% and consumer outbound usage triples to 17.1%. In those same markets, commercial inbound and outbound both increase to about 3.5%. In the 500,000 to 1 million market, consumer inbound usage is 14.3% and consumer outbound increases to 27%. Commercial outbound telemarketing in this market is relatively low at 1.6%.

In the largest market, 1 million or more, consumer inbound and outbound are used by 34.3% and 31.4% of the banks respectively. About 8% use commercial inbound and 10% use commercial outbound.

Expenditure Amounts

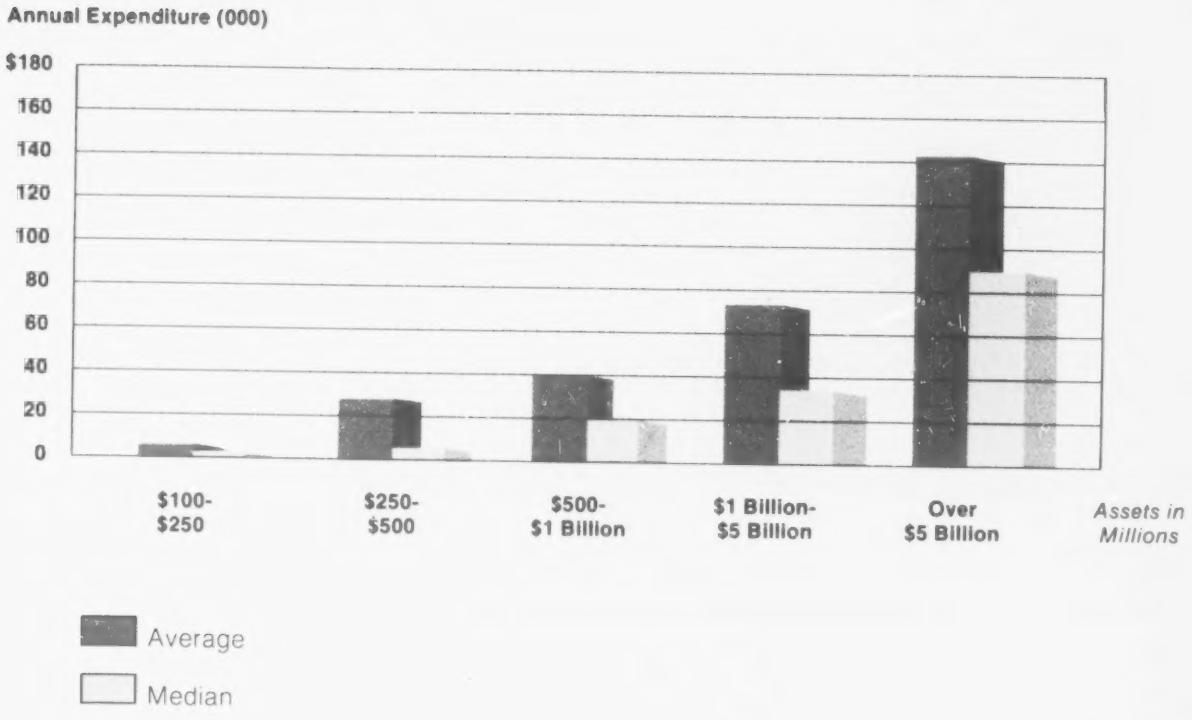
Table 15 and the graph in Figure E report the average and median telemarketing expenditure for the various asset ranges of reporting banks. The average expenditure varies from only $700 in the smaller banks to $144,000 in the largest institutions. The median expenditures vary from $500 up to $90,000. As shown by the 'minimum and maximum' totals in the table, some banks spend considerably more or less than the average for their category.

TABLE 15
TOTAL TELEMARKETING SALES EXPENDITURE IN 1987
(All Reporting Banks - 1987, $000)

Annual Expenditures	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Average Expenditure		**$ .7**	**$1.5**	**$ 5.2**	**$ 4.2**	**$ 29.1**	**$ 40.5**	**$ 76.3**	**$144.0**
Minimum Expenditure		.5	1.0	.2	.2	1.0	1.0	2.0	20.0
Maximum Expenditure		1.0	3.0	22.5	17.0	350.0	220.0	500.0	500.0
Median Expenditure		**.5**	**1.0**	**2.0**	**3.0**	**5.7**	**20.0**	**35.0**	**90.0**

AVERAGE AND MEDIAN EXPENDITURES FOR TELEMARKETING
(Responding Banks Over $100 Million in Assets)

Figure E



Future Expenditures

Banks which had used telemarketing in 1987 also were asked how their expenditures would change in 1988:

- Spend less
- Spend about the same
- Spend more

In general, the smaller banks plan to spend about the same, while the larger banks plan to spend more. For example, of the banks with assets between $50 million and $100 million, two thirds expect to spend the same amount. Approximately 50% of the banks between $100 million and $5 billion said they would spend about the same in 1988 as they did in 1987. However, among the very largest banks, none said they would spend less and only 37.5% said they would spend the same amount.

About one fourth to one half of middle tier banks and 62.5% of the largest banks said they would spend more on telemarketing in 1988.

TABLE 16
HOW WILL 1988 TELEMARKETING EXPENDITURE COMPARE TO 1987

Expenditure Plans	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Will Spend Less				16.7%	8.8%	3.4%	18.2%	13.8%	
Will Spend About The Same	100.0%		100.0%	66.7	44.1	58.6	54.5	48.3	37.5%
Will Spend More		100.0%		16.7	47.1	37.9	27.3	37.9	62.5

USE OF ADVERTISING AGENCIES

Each year the "Expenditures Analysis" tracks responding banks' usage of advertising agencies and the methods they use to compensate them. The results are shown in Tables 17 through 20 and in the graphs of Figure F.

Among the banks with less than $100 million in assets, agency usage showed a marginal decline from 1986 (from 18% down to 16%). In-bank production increased slightly from 76% to 79%, and use of a holding company staff remained at 4%.

Nevertheless, agency usage increases strongly as the size of the bank increases. For example, among banks with less than $10 million in assets only 3% use agencies, while among banks with $5 billion in assets 100% use agencies. On average, of the banks with more than $100 million in assets, 74% reported using an agency, up slightly from the 72% using one in the 1986 "Analysis". For the same banks, the reliance on in-house staff declined from 22% in 1986 to 20% in 1987. Use of a holding company remained at only 4% of all banks.

Only 1% to 2% of all responding banks reported using a source other than those already cited, usually relying on media-produced advertising, free-lance talent or syndicated sources.

Table 18 shows the influence of market size on agency usage. In the smallest markets, under 100,000, 72% of banks rely on in-house staff for advertising while 22% used an agency. In markets of 100,000 to 500,000, about one third (34%) use bank staff while 56% use an agency. Agency usage is highest, of course, in the largest markets. In those with 500,000 to 1 million population only 17% use bank staff and 77% use an outside agency. In markets of 1 million or more, 26% use bank staff while 70% use an agency.

Table 19 shows the influence of the type of market on a bank's likelihood of using an advertising agency. In banks which market in more than one state, 47% use an agency, while the usage increases to 84% in statewide markets. In urban markets 56% use an advertising agency, compared to 47% in suburban markets, and in rural markets, only 16% use one.

SOURCES FOR CREATING ADVERTISING

Figure F

Banks under $100 million

Banks over $100 million

TABLE 17
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING IN 1987

Primary Source	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	92%	85%	78%	61%	50%	26%	11%	11%	
Used Holding Company Staff	3	2	4	6	5	9	4	2	
Used Outside Agency	3	13	14	32	41	64	83	85	100.0
Other	2		4	1	4	1	2	2	
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 18
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

Primary Source	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	72%	34%	17%	26%
Used Holding Company Staff	4	7	6	1
Used Outside Agency	22	56	77	70
Other	2	3		3
Total	100%	100%	100%	100%

TABLE 19
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

Primary Source	More than One State	Statewide	Urban	Suburban	Rural
Used Bank Staff	43%	14%	35%	45%	78%
Used Holding Company Staff	7	2	6	7	3
Used Outside Agency	47	84	56	47	16
Other	3		2	2	3
Total	100%	100%	100%	100%	100%

TABLE 20
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1987
(Banks Which Use Agencies)

Compensation Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only	—	53%	50%	62%	45%	39%	44%	35%	
Media Commissions Only	—	7	17	4	3	4	2	9	8%
Both Fees and Commissions	—	40	33	34	52	57	54	56	92

TABLE 21
EXPENDITURES FOR FEES AND COMMISSIONS AT AN OUTSIDE ADVERTISING AGENCY
(All Reporting Banks - 1987, $000)

Compensation	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Number of Reporting Banks	—	6	4	15	47	34	20	23	9
Average Expenditure	—	$6.3	$27.8	$15.4	$22.4	$38.5	$100.3	$160.6	$586.1
Median Expenditure	—	2.5	4.0	13.6	18.0	28.0	62.8	100.0	465.6

Compensation Method

The "Analysis" also tracks the method which banks use to compensate their advertising agencies. The responding banks which use an agency were asked to describe which of the following methods they used to compensate them:

- Fees only
- Media commissions only
- Both fees and media commissions

Several factors can influence the method chosen, including the size of the market and the amount and type of work needed by the bank.

As shown in Table 20, banks under $100 million are more likely to use fees only (50% to 62% do) than are banks over $100 million (only 35% to 45% do). The banks most likely to use a fee-only method are those between $50 million and $100 million in assets (62% of them do).

The least popular method for compensation is commission only. The most frequent users, in general, are those banks with over $1 billion in assets where 8% to 9% rely solely on commission compensation.

A combination of fees and commissions is the most popular method of compensation especially among larger banks. The use of this combination increases from 33% to 40% of banks under $100 million to about 50% for medium size banks and a high of 92% for banks over $5 billion. In general, these reflect proportions similar to those in the 1986 "Analysis", with the exception of the largest banks which show a movement toward both fees and commissions for 1987.

Amount of Compensation

The banks which said they used an advertising agency also were asked how much they paid them on an annual basis. They were asked to include fees paid for creative, supervisory and account management time, but to exclude production expenses such as typesetting and artwork, or research and public relations fees. Nevertheless, because of the complexity and diversity of billing methods among agencies, the data should be regarded as a general guideline only and not as an absolute or fixed amount.

It also should be noted that there are differences in the responses to this question and the data presented earlier in Tables 1 and 2 for "Fees and Commissions". The differences occur because the earlier tables included data for all responding banks, encompassing not only those which used an outside agency as their primary source of advertising, but also those which used an agency on a project or free lance basis and might have produced other materials in-house or through a holding company.

Table 21 shows both the average and the median expenditure for agency fees and commissions. To use the table, simply identify the desired bank asset range and read the data under that column. For example, a $750 million bank would pay, on average, about $100,000 in fees or commissions, and the median compensation would be about $62,800.

Also be aware of the influence which the number of banks responding within any category has on the expenditure level, especially for banks under $100 million where fewer reported using an agency.

Overall, average compensation methods vary from $6,300 in the smallest banks to more than $580,000 in the largest. Median expenditures range from $2,500 in the smaller banks to more than $465,000 in the largest.

TABLE 22
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1986/1987 BY ASSET SIZE
(All Reporting Banks - 1987, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1987 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	43	138	149	162	238	114	54	55	12
Average Expenditure	$ 10.7	$ 18.0	$ 32.4	$ 54.7	$128.7	$298.4	$563.8	$1555.9	$6376.6
Minimum Expenditure	1.0	1.5	1.8	8.6	9.2	61	15.4	118.0	660.0
Maximum Expenditure	75.8	125.9	364.5	215.4	476.7	1777.5	1373.5	4275.0	13145.0
Median Expenditure	7.0	13.5	25.4	47.6	114.3	253.0	504.1	1311.0	5342.8
1986 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	25	95	106	126	196	90	43	44	7
Average Expenditure	$ 10.9	$ 15.1	$ 30.4	$ 48.8	$119.1	$264.3	$511.4	$1465.8	$6472.5
Minimum Expenditure	1.0	1.0	3.0	3.0	10.0	2.5	2.5	120.0	3056.9
Maximum Expenditure	84.0	65.0	200.0	175.6	400.0	1250.0	2241.0	3205.0	15000.0
Median Expenditure	5.0	13.0	25.0	45.0	105.0	225.0	459.6	1250.0	6000.0

A comparative look at 1987 versus 1986 expenditures is shown in Table 22. It shows the average and median expenditures along with the minimums and maximums. It should be noted that the expenditure figures reported in this table for 1986 are those indicated by respondents on this year's questionnaire and are not taken from last year's "Expenditures Analysis".

Both the average and the median expenditures increased for banks in all asset ranges, with the exception of the very largest (over $5 billion) where they declined slightly from their 1986 levels. In general, the amount of the average expenditures increase was between 6% and 12%. Banks in the $250 million to $500 million range showed a 12% increase in both the average and the median expenditure.

Total Industry Expenditures

It is possible to derive an estimate from Table 22 as to what the banking industry at large spends on marketing in the United States, but there are a number of limiting biases. For example, the number of banks in each asset range changes annually, and responding banks, as mentioned earlier, may not have expenditures representative of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.

Confidential Study
Of Bank Marketing Expenditures

BANK MARKETING ASSOCIATION

An affiliate of American Bankers Association

INSTRUCTIONS FOR COMPLETING FORM

- Enter data in thousands (Ex. $7,400 = 7.4) (Ex. $74,000 = 74.0) (Ex. $7,400,000 = 7,400.0).
- Please try to indicate an amount (if any) for each of the A through E bold subtotal lines, even if you don't have data for all the items within that category.
- If no expenditure was made in a category, indicate "0".
- If your bank is part of a holding company, please report only your bank's figures.
- If you have questions, call Linda Coleman at BMA, 312/782-1442.

Part I. U.S. BANK MARKETING EXPENDITURES (excluding salaries)

Please allocate your 1987 non-salary marketing expenditures as best you can among the following:

(Enter in thousands omitting 000) (Ex. $7,400 = 7.4)

A. ADVERTISING

1. Magazines (consumer trade, etc.) $ _____
2. Directories (telephone book, city, etc.)
3. Newspapers
4. Television
5. Radio
6. Direct Response (direct mail literature, net postage, outside brochuremailing)
7. Outdoor and transit (billboard, taxi bus, train cards, etc.)
8. Point-of-sale expenses (shelves, paper, printing, hiring, etc.)
9. Fees and commissions (advertising agency, media representative, advertising, marketing consultants, etc.)
10. All other advertising (please specify)

A) Sub-Total for Advertising $ _____

B. PUBLIC RELATIONS

1. Shareholder, investment community, annual report, meetings, etc. $ _____
2. Media relations, press releases, press conferences, etc.
3. Publications (community service publications, newsletters, etc.)
4. Special events (openings, anniversaries, open house, etc.)
5. Public relations consultant fees
6. Donations (include donation advertising - to include only the dollar value of the ad)
7. Annual publications
8. All other public relations (please specify)

B) Sub-Total for Public Relations $ _____

C. SALES PROMOTION

1. Net premium expenses (cost of premiums less revenues from premium sales)
2. Telephone services (WATS, 800, etc.)
3. Specialties (giveaways, toy, pen, calendars, items, etc.)
4. Point-of-sale materials (displays, brochures, etc.)
5. Employee incentives (not salary expenses, awards, bonuses, employee sales, customer training, etc.)
6. All other sales promotion expenses (please specify)

C) Sub-Total for Sales Promotion $ _____

D. STAFF SALES CUSTOMER RELATIONS TRAINING

1. External expenses (tuition fees, outside facilities, etc.)
2. Non-salary internal expenses (development, printing, materials, etc.)
3. All other staff sales customer relations training (please specify)

D) Sub-Total for Staff Sales Customer Relations Training $ _____

E. MARKETING RESEARCH

1. External expenses (market research, etc. by consultants, questionnaires, data processing, etc.)
2. Non-salary internal expenses
3. All other marketing research (please specify)

E) Sub-Total for Marketing Research $ _____

F. ALL OTHER NON-SALARY MARKETING EXPENSES NOT ACCOUNTED FOR IN A—E ABOVE (Be sure these figures are not included in A—E above) $ _____

Total 1987 Non-Salary Marketing Expenditures (Sum of A—F above) $ _____

(Please complete Side Two)

Part II. SERVICE ALLOCATION OF 1987 NON-SALARY MARKETING EXPENDITURES

Please indicate the approximate percentage amount of your total marketing budget allocated to each of these five categories:

_____% Retail (Individuals)
_____% Commercial/corporate (Business)
_____% Trust
_____% Institutional
_____% Other (Specify _____)
100 % Total

Part III. GENERAL INFORMATION (Place a single check under each question)

A. **What were your bank's total assets as of December 31, 1987?**

- ☐ Under $10 million
- ☐ $10 million but less than $25 million
- ☐ $25 million but less than $50 million
- ☐ $50 million but less than $100 million
- ☐ $100 million but less than $250 million
- ☐ $250 million but less than $500 million
- ☐ $500 million but less than $1 billion
- ☐ $1 billion but less than $5 billion
- ☐ $5 billion or more

B. **For retail business, what best describes the kind of market in which your bank competes?** (Check one response)

- ☐ More than one state
- ☐ Statewide
- ☐ Urban
- ☐ Suburban
- ☐ Rural

C. **What is the approximate population of your retail trade area checked in B above?** (Check appropriate category)

- ☐ Under 100,000
- ☐ 100,000 but less than 500,000
- ☐ 500,000 but less than one million
- ☐ One million or more

D. **Please indicate the approximate Total 1986 Non-Salary Marketing Expenditures for your bank** (in $000)

$_____ (in $000) in 1986

Part IV. TELEMARKETING EXPENDITURES

The following questions relate to the use of telemarketing for sales purposes in your bank.

A. **Which of the following best describes your use of telemarketing for sales purposes in 1987 (Check all that apply)?**

- ☐ Used Consumer Inbound
- ☐ Used Consumer Outbound
- ☐ Used Commercial Inbound
- ☐ Used Commercial Outbound
- ☐ Did not use telemarketing in 1987 (Go to Part V)

B. **Please estimate your total expenditure on telemarketing sales in 1987 (include training, staff, equipment, service bureaus, consultants, etc.).**

$_____ in Thousands (omit $000)

C. **How will your 1988 expenditures for telemarketing compare to 1987's?**

- ☐ Will spend less (Please estimate percentage decrease _____%)
- ☐ Will spend about the same
- ☐ Will spend more (Please estimate percentage increase _____%)

Part V. AGENCY COMPENSATION

A. **Which one of the following was the bank's primary source for creating advertising during 1987?**

- ☐ Used bank staff (End Survey)
- ☐ Used holding company staff (End Survey)
- ☐ Used outside agency (Go to Question B)
- ☐ Other (Specify) _____

B. **(Answer only if you indicated use of an outside agency above). Please indicate which one of these methods you used to compensate your agency in 1987:**

SELECT ONE

1. ☐ Base Fees & Commissions
   Estimate total paid in 1987:
   _____ (in $000)
2. ☐ Only Media Commissions
   Estimate total paid in 1987:
   _____ (in $000)
3. ☐ Only Fees
   Estimate the fees you paid your agency in 1987 for creative, supervisory and account management time. Exclude production expenses such as typesetting and artwork and exclude other services such as research or public relations.
   Estimate fees paid in 1987:
   _____ (in $000)

BANK MARKETING ASSOCIATION

Thank you for your responses. They are very important to the study. Please return this questionnaire in the enclosed postage-paid envelope. You need not identify yourself or your bank. Your answers will remain completely confidential.

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-A3435-1 11 10/89

Analysis of 1988 Bank Marketing Expenditures

1989 Research Report

BANK MARKETING ASSOCIATION 309 West Washington Street • Chicago, Illinois 60606

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Analysis of 1988 Bank Marketing Expenditures

Page

How the Survey was Conducted 2

Budgeting For Bank Marketing 3

How to Use the Analysis 6

How Much is the Budget 7

Expenditures by Expenditure Type

Graphs of 1987 and 1988 Average Marketing Expenditure — Figure A 8

Average Marketing Expenditures by Expenditure Type and Asset Size — Table 1 9

Graphs of 1987 and 1988 Median Marketing Expenditure — Figure B 11

Median Marketing Expenditures by Expenditure Type and Asset Size — Table 2 12

Graph of Prime Media by Percentage of Total Marketing Budget — Figure C 13

Percentage of Reporting Bank Budgets Spent on Each Expenditure Type in 1988 by Asset Size — Table 3 15

Where the Budget is Spent 16

Percentage of Banks Reporting Marketing Expenditures of each Type in 1988 by Asset Size — Table 4 18

Budget by Market Size and Type 19

Average Marketing Expenditures by Expenditure Type and Population Size — Table 5 20

Average and Median Marketing Expenditures by Population Size and Asset Size — Table 6 21

Average and Median Marketing Expenditures by Population Size and Market Type — Table 7 22

Budgeting for Services 23

Percentage of Reporting Banks' Budgets Spent on Each Service in 1988 by Asset Size — Table 8 23

Graphs of Share of Expenditures by Asset Group — Figure D 24

Percentage of Reporting Banks' Marketing Each Service in 1988 by Asset Size — Table 9 24

Average Marketing Expenditure by Service Type and Asset Size — Table 10 25

Median Marketing Expenditure by Service Type and Asset Size — Table 11 25

Average Marketing Expenditure by Service Type and Population Size — Table 12 25

Use of Direct Mail 26

Use of Direct Mail — Table 13 26

Expected Use of Direct Mail in 1989 — Table 14 27

Graph of Number of Mailings by Asset Size — Figure E 27

Graph of Number of Mailings by Advertising Source — Figure F 27

Services Promoted by Direct Mail — Table 15 28

Use of Advertising Agencies 29

Graphs of Sources for Creating Advertising — Figure G 29

Bank's Primary Source for Creating Advertising During 1988 — Table 16 30

Bank's Primary Source for Creating Advertising by Population — Table 17 30

Bank's Primary Source for Creating Advertising by Market Type — Table 18 30

How Agency was Compensated for Services in 1988 — Table 19 30

Compensation of Advertising Agencies 31

Average Expenditure for Fees and Commissions at an Outside Advertising Agency — Table 20 31

1987 and 1988 Marketing Expenditures 32

Average and Median Marketing Expenditures for 1987/1988 by Asset Size — Table 21 32

The *Analysis* of Marketing Expenditures is conducted annually to provide bank marketers with an understanding of how financial institutions of all sizes and in all types of markets spend their marketing budget. This expanded 7th Edition of the *Analysis* contains data from more than 960 banks across the nation.

Using the Findings

This study can be helpful to your bank in providing a frame of reference for your budgeting. As you read the more than 2,200 statistics and become acquainted with the information, you will see certain patterns emerge in media usage and marketing emphasis as the size of the bank or its market changes.

At the same time, the *Analysis* is not designed to show you specifically how much your bank should spend on marketing. As pointed out in the following pages, your bank's budget ultimately should be determined by your objectives and your marketing environment, including your market and your competitors.

You will, however, find this publication very helpful in building your budget, explaining it to your management, and in identifying overall trends in bank marketing expenditures.

Comparing Years and Trends

While this 7th Edition of the *Analysis* has been expanded to contain even more information than previous editions, the format for most of the statistical tables correlates to those of the six prior editions (1982 through 1987) so that you may compare changes in the data. If you would like to examine results of prior *Analyses*, you may order copies for the years 1982 through 1987 from the Bank Marketing Association.

Methodology

To ensure that information in the survey can be compared year to year, the methodology used in the 7th Edition is similar to prior years. The questionnaire was mailed to a random sample of banks nationwide. The sample was chosen by "nth" name selection from among two asset groups: Those banks under $100 million in assets (6,274) and those over $100 million in assets (3,365). The samples are divided into the two sampling groups to allow for a lower response rate among community banks as experienced in previous surveys.

After a follow-up mailing, responses were cut off April 24, 1989.

A total of 1029 questionnaires had been returned at the cutoff date and, of these, 962 were useable returns. They were distributed among nine asset ranges as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	26	3%
$10 - $25	105	11
$25 - $50	140	14
$50 - $100	210	22
$100 - $250	269	28
$250 - $500	97	10
$500 - $1 billion	55	6
$1 billion - $5 billion	49	5
Over $5 billion	11	1

Each questionnaire was edited for accuracy and checked for completion, then the data were computer tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

The survey information is presented in several formats in this book to aid in understanding the data:

- Percentage terms
- Dollar averages
- Dollar medians

The **percentages** shown in the tables are based on the number of respondents answering each specific question (unless noted otherwise) and are rounded to the nearest whole percentage.

The word **"average"** in the tables indicates the arithmetic mean. The averages for each category are based on the number of banks answering each question. Since the number of banks varies from category to category, the sum of the individual line item averages may not be the same as the "total" averages.

The **median** is the middle value from a list of rank-ordered values. For example, consider the following values:

- $4,000
- $4,000
- $4,200
- $5,000
- $18,400

While the average is $7,120, the median is only $4,200. Because the average is sensitive to extreme values ($18,400 in this example) and the median is not, the median may at times represent a more appropriate estimate than the average.

You also will note that some tables include "minimum and maximum" values. These data are included to illustrate the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

All dollar figures in the tables are reported in thousands and are rounded to the nearest $100.

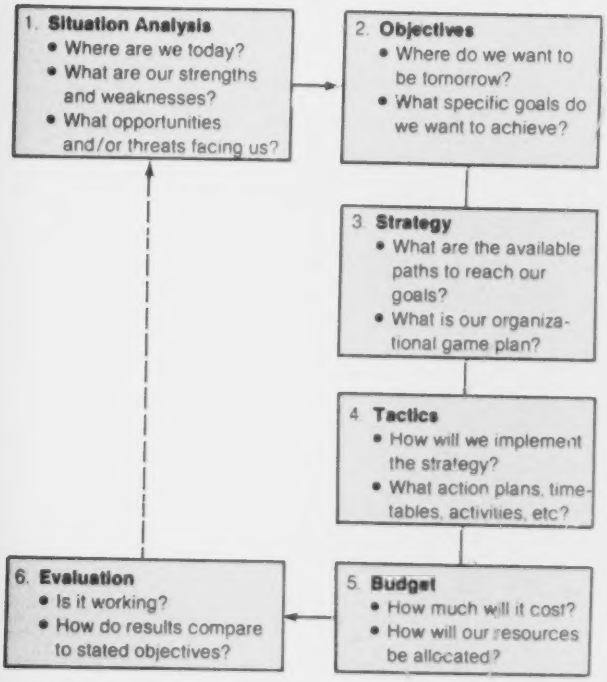
A written plan is the blueprint for your bank's marketing activities.

It brings organization and efficiency to both the short term and long term activities of the bank. With a plan, staff and suppliers have time to prepare and implement programs, reducing the risk of errors or expenses that accompany unplanned marketing. The plan assures that your bank's marketing activities occur in an orderly sequence, reaching the right prospects, with the right products, at the right time, at the lowest expense possible.

A marketing plan provides administrative advantages within the bank, too. It alerts other staff when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. Thus, the planning process should accommodate input from many different personnel and departments in the bank.

Creating a Plan

There are six key components in a marketing plan:


1. Situation Analysis
• Where are we today?
• What are our strengths and weaknesses?
• What opportunities and/or threats facing us?
2. Objectives
• Where do we want to be tomorrow?
• What specific goals do we want to achieve?
3. Strategy
• What are the available paths to reach our goals?
• What is our organizational game plan?
4. Tactics
• How will we implement the strategy?
• What action plans, timetables, activities, etc?
5. Budget
• How much will it cost?
• How will our resources be allocated?
6. Evaluation
• Is it working?
• How do results compare to stated objectives?

Once it is developed, your plan should be considered an evolutionary document. Each plan your bank prepares will be more accurate and thorough than earlier ones. For that reason consider the plan a flexible document that changes with the marketplace and your bank's growth.

Methods of Budgeting

The budgeting process assigns costs to the marketing activities or tasks that will implement the strategies you have selected to achieve your goals. Marketing budget decisions are among the most important that bank managers make because they can significantly affect the growth, profitability and strength of the bank.

The central decision, of course, is the amount of the budget. Determining the amount is a combination of both art and science and there are several methods which you can use alone or in combination to determine how much to spend and where to spend it. These various methods traditionally include rules of thumb which may seem relatively quick and easy to use, but each has certain shortcomings as described here. Nevertheless, they may be helpful as general guidelines or checks on budgeting decisions.

They can be classified into three general types, and several methods within the types:

1. Formula or Mathematical Techniques

a) ***Percentage of Assets Method:*** This convenient rule of thumb sets the budget based on the asset or deposit size of the bank. The formula commonly is stated as "1/10 of one per cent of assets" of "$1,000 in expenditures per million dollars of assets." This method can be helpful as a quick measure of how much a bank might spend, and it certainly is easy to use. It also reflects the likelihood that the larger the bank, the larger its marketing budget. However, it has many shortcomings. It does not take into account the other important factors which enter into planning, such as competitors' spending. Banks in a large urban market will usually spend more than banks of similar size in rural markets with less concentrated competition. Moreover, using current or forecasted assets as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of assets, not the other way around.

b) ***Incremental Method:*** When advertisers take the previous year's budget, and add on an increase for inflation — say 5% to 10% — they are using another formula technique, the incremental method. This method is easy to use, and may sound persuasive to those who are not involved in marketing but have a role in reviewing the budget. The underlying assumption, of course, is that this year's goals and strategies can imitate last year's. That's probably only true if you are convinced that past performance was so good that you only need to repeat the same strategies and tactics. But simply doing 'more of the same' may allow

your marketing to become stale, or to repeat ineffective programs since no evaluation takes place. Furthermore, most banks will want to adjust their marketing programs in the face of external changes such as legislative developments, changing consumer markets, competitors' action and other factors.

2. Subjective Techniques

a) ***"All We Can Afford" Method:*** The most common subjective budgeting method is for management to simply give marketing whatever is left over after other expenses have been budgeted and a satisfactory profit planned. This method relegates marketing to secondary status and does not consider the potential benefits which can be gained from effective marketing. It is possible that with this method the resulting budget will be too small to be effective. Or, at the other extreme, more may be spent than is necessary. For instance, a point can be reached in newspaper advertising (or other media) where increasing the number of insertions may not be incrementally profitable. Furthermore, budgets that fluctuate significantly from year to year will make continuity and the attainment of long term objectives very difficult to achieve.

b) ***Competitive Parity Method:*** This method allows you to 'keep up with the competition' by matching them in their marketing expenditures. It may sound like a logical basis for spending, but in reality it allows your competitors with different resources and objectives to dictate your budget. The assumption underlying this approach is that all financial institutions in the marketplace have the same opportunities for profitable marketing and the same objectives. More likely, both your opportunities and your objectives differ from competitors' and thus this method can fail to achieve marketing success. Nonetheless, knowing competitors' expenditures is a key ingredient in preparing your own bank's plan.

While all of the above methods have their advantages, overall they limit the bank's flexibility and do not relate your marketing expenditures to your specific bank's marketing objectives. And, while a budget created by any of these methods may be easily approved by management, little planning or analysis has taken place. Thus, they are most useful in creating parameters to be used in conjunction with a more analytical procedure such as the following:

3. Objective and Task Method

This method tailors the marketing budget to the specific objectives of your bank and its market.

The technique requires that you first determine what are the marketing objectives of your bank. Next, create strategies and tactics which you believe will achieve your objectives, then assign costs to the marketing activities you will use to achieve your goals. While advertising usually accounts for the largest portion of the marketing budget, don't overlook the other marketing functions: public relations, sales promotion, sales training and marketing research.

Costs are assigned to these functions based on the contribution you anticipate they will make in achieving the objectives. Thus, the budget becomes the marketing plan in dollar terms.

Allocating the Budget

Additional budget decisions have to do with how the total budget is allocated. Types of allocations include:

- **Functional:** apportioning the budget between advertising, public relations, sales promotion, selling, and marketing research.
- **Media:** allocation within functions to various advertising media, (newspapers, radio, TV, etc.) sales promotion tools and public relations vehicles.
- **Product:** assigning funds to individual or groups of products; among new versus established bank products.
- **Geographic:** local, regional, national

Many of the tables in this *Analysis* are organized to present the data by these four types of allocations to make your comparisons easier and more meaningful.

Once your budget is prepared, the next step is to secure management's approval.

Approval of the Budget and Plan

Your plan won't be successful unless it is approved and supported by management. Keeping the following points in mind will help achieve the plan's acceptance by management.

- Anticipate management's objections and prepare satisfactory responses for them.
- Position marketing expenditures not simply as costs, but as an investment that builds the foundation for future profits.
- Do your homework. Know the history of the bank's marketing expenditures and those of its competitors in prior years. Learn about successes and failures, which media have been productive, and which have not. Perhaps most important, be on the same 'wavelength' as management in terms of what the bank wants to accomplish. Know the marketing problems and formulate strategies to solve them.
- Be able to justify the marketing expenditures you recommend. In effect, you are competing for funds

or other resources with other departments of the bank.

- Develop arguments to counter proposals to stop or curtail marketing activities during temporary adverse conditions.
- Maintain your credibility and submit realistic numbers. Don't 'go in high.' Stress that your budget is not padded and that it represents the least expense that can be expected to achieve the desired objectives.
- Track and evaluate marketing activities. Management is more likely to accept your budget if it understands you watch closely over the money that is spent.

Using Your Plan

Marketing opportunities seem to change constantly. But don't merely react to events on a day-to-day basis. Use your marketing plan as a roadmap for actionable results, allocating your resources based on your stated objectives.

An effective marketing plan is not set in stone, but rather can be adapted to changing economic and competitive conditions. When circumstances change, be ready to cut or expand your budget to meet changing revenue or profit requirements -- or to take advantage of new marketing opportunities.

The planning process in your bank should be an ongoing and dynamic activity. The plan is a working document which should be used daily, updated and reviewed, rather than tucked away in a file once it is approved. Most marketing plans are threadbare long before the year is over. If your marketing plan is written properly, it will contain quantifiable objectives which can be measured periodically throughout the year. Review your program results frequently — at least on a monthly basis — to track your progress in time to alter the plan if necessary.

Most managements also will ask for a periodic budget review to measure variances, whether below or above the budget amounts. If the expenditures are exceeding budget, find the reason: Have the underlying budget assumptions changed? Are unforeseen influences causing the variance? If so, perhaps the objectives should be changed. Or, if goals are being met or exceeded, perhaps the budget can be reduced, or allocated to another objective. To many managements, being under-budget can be as bad as being over-budget. Failure to implement planned programs can improve the expenditures outlook, but results may suffer significantly later in the year.

In summary, systematic planning is evolutionary. Each time you prepare a plan, and each time you revise it during implementation, you will improve your own skills and the effectiveness of your bank's marketing program.

The *Analysis* can be helpful to you regardless of which method you use in preparing your own bank's budget.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. The basic categories used here are:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

Obviously, when making comparisons, it is important to be comparing similar items.

Defining terms

The items used on the "Expenditures" questionnaire were built around generally accepted industry definitions for consistency among responding banks.

Nevertheless, check your bank's classifications of expenditures to determine if there are any major differences with these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1990 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average 61% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but it is expensive. Cable television is a growing force in many markets but often reaches narrower segments. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations can change formats — and audiences — periodically. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken among both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

The total marketing expenditures made by responding banks during 1988 are shown in the first two tables on pages 9 and 12. They show the average and median expenditure for each of 30 different marketing categories, and for the five major functional areas:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

Table 1 shows the average amount for each expenditure while Table 2 shows the median or middle value.

By reading the column headings across the top of each table, you can locate the asset range for your bank and determine the dollar amount of the expenditure in each category. For example, to learn how much banks with $400 million in assets spent on radio, simply read down the column with the heading "$250 - $500 million" to the row for "radio" and you will see the amount $23,500. The comparable figure for the median expenditure is shown in Table 2 —$19,600.

The total marketing expenditure for the year is shown in the bottom line of both tables. Continuing the example of the $400 million bank, the total average budget was $284,500 while the median expenditure was slightly lower, $264,000.

Because not all respondents included detail for each line item, the averages in each of the line items will not necessarily sum to the bottom "total" line in these two tables. Nevertheless, each individual line item and the "total" at the bottom represent the average or median as the case may be for all banks which reported an expenditure.

Average Expenditures

The average marketing expenditures for banks in 1988 are shown both in the bottom row of Table 1 and in graph form in Figure A on Page 8. While the banks under $10 million in assets spent $12,400, the largest banks spent $5,333,400.

To help understand how the average expenditure relates to the size of the bank, an index can be created by dividing the average marketing expenditure in each asset range by the midpoint of that range. The following graph shows how the index varies with the size of the bank and how the years 1987 and 1988 compare.

Asset Range In Millions	1987	1988
Under $10	.142%	.165%
$ 10 — $ 25	.103	.129
$ 25 — $ 50	.086	.100
$ 50 — $100	.073	.078
$100 — $250	.073	.070
$250 — $500	.079	.075
$500 — $1 Bil	.075	.078
$1 Bil — $5 Bil	.052	.048
$5 Bil. or more	.051	.043

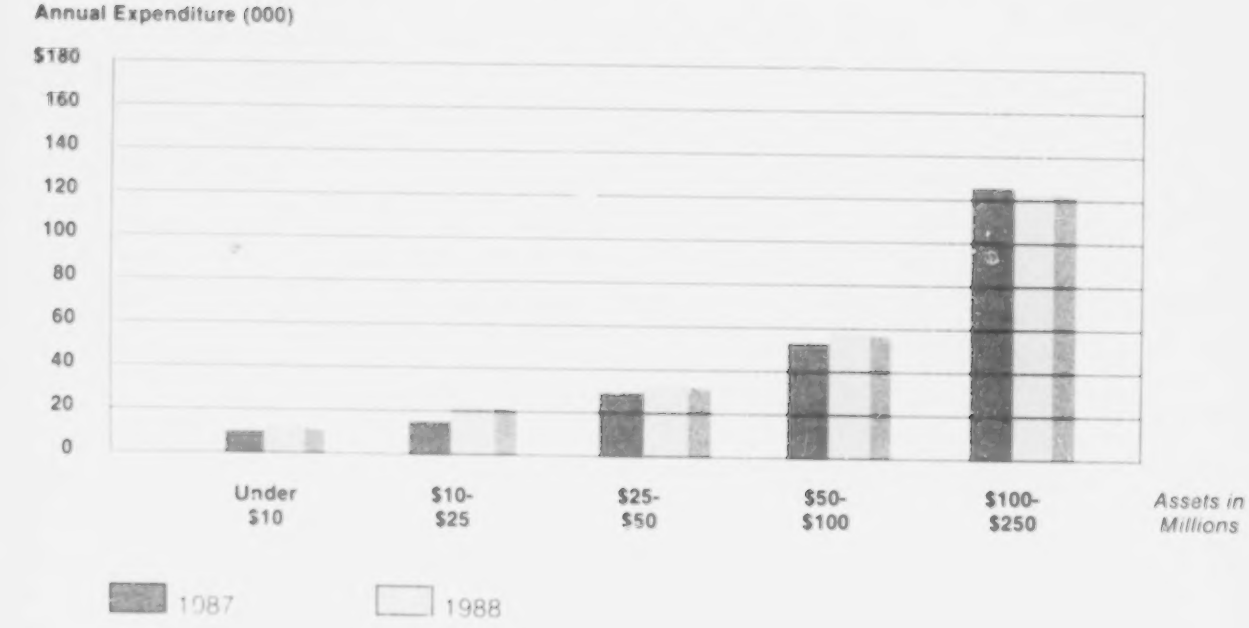
Although the total marketing expenditure in dollars increases as the size of the bank increases, the total budget as a percentage of total assets declines steadily with the size of the bank. This could be accounted for by a number of factors. Larger banks enjoy economies of scale in buying, especially for media and in such areas as consulting or advertising agency services. Banks also shift their emphasis among the various marketing functions as they grow. This is explored in more detail in Table 3.

While the index is helpful in understanding how the size of the budget varies with the bank, it should only be used in the broadest sense, and not as a formula for creating your marketing budget. Not only are the data derived from relatively wide asset ranges, but there are extreme variances in expenditures within each range. Furthermore, as noted in the section "Budgeting for Bank Marketing" the budgeting process involves many factors beyond simply allocating a percentage of assets to marketing. Other data later in this report show how the size of the marketing budget also is influenced by the type and size of market.

1987 AND 1988 AVERAGE MARKETING EXPENDITURES

The two graphs below compare the total average expenditures for 1987 and 1988 by asset size (Data for 1988 from Table 1, text on Page 7).

Figure A



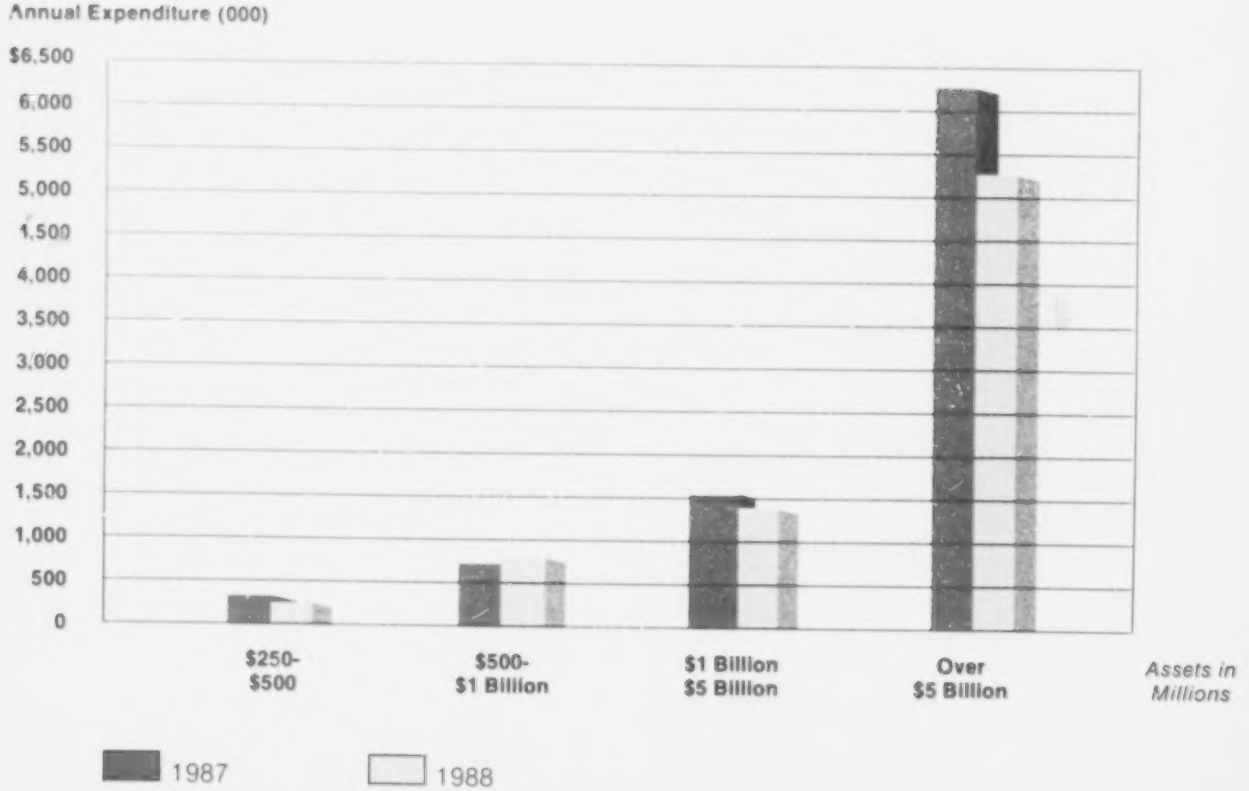


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .6	$ 1.6	$ 1.8	$ 1.9	$ 4.0	$ 5.1	$ 19.8	$ 53.4	$ 95.7
Directories (telephone, bank, city, etc.)	.7	.9	1.8	2.3	4.1	6.9	14.8	25.2	73.5
Newspapers	2.2	5.3	8.5	10.3	21.3	57.0	123.2	306.7	1269.8
Television	4.1	3.4	2.7	7.9	14.9	25.2	63.1	210.0	1427.7
Radio	2.8	3.9	5.5	7.5	16.1	23.5	63.3	114.0	228.4
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	1.2	2.3	3.2	4.2	8.6	16.7	36.9	171.1	290.7
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	4.2	3.8	3.5	4.5	8.9	15.5	29.9	56.6	91.5
Production Expenses (artwork, talent, etc.)	7.3	2.6	3.9	3.8	10.4	28.5	59.8	124.6	691.7
Fees & Commissions (advertising agency, media representative, consultants, etc.)	2.0	3.8	5.7	5.7	9.0	24.4	40.8	94.1	195.5
All Other Advertising	1.5	4.4	4.6	8.6	10.5	12.1	49.8	121.0	217.7
Sub-Total for Advertising	**6.5**	**13.3**	**22.1**	**33.6**	**72.4**	**171.5**	**373.4**	**1014.8**	**3930.7**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	1.0	1.6	2.3	2.9	7.6	20.3	37.1	68.1	267.7
Media Relations (press releases, press conferences, etc.)	.2	1.9	.9	.6	1.7	3.7	8.7	14.4	71.3
Publications (community service publications, newsletters, etc.)	1.1	1.5	1.5	1.8	4.1	10.6	18.1	26.7	101.3
Special Events (seminars, anniversaries, open house, etc.)	3.0	2.7	2.3	3.7	7.3	15.5	25.3	44.9	70.2
Public Relations Consultants Fees	2.8	2.2	6.2	3.1	8.2	24.2	21.4	41.5	63.6
Donations (includes donation advertising—schools, churches, civic clubs)	1.8	2.2	3.9	6.8	13.0	24.2	35.2	125.8	753.3
All Other Public Relations	1.2	2.2	3.4	5.4	10.4	16.6	30.0	61.1	457.4
Sub-Total for Public Relations	**4.0**	**5.2**	**8.0**	**14.1**	**29.8**	**65.7**	**101.3**	**257.8**	**899.6**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	2.3	1.3	4.9	2.7	6.0	9.8	28.8	22.8	55.8
Newcomer Services (non-salary only)	2.0	1.3	.9	.8	2.0	4.1	5.0	13.9	43.3
Specialties (giveaways, such as calendars, pens, etc.)	1.7	2.3	4.0	5.2	8.2	15.4	17.0	26.2	34.2
Point-of-Sale Materials (displays, banners, brochures, etc.)	.3	1.5	1.8	1.9	3.8	9.6	32.6	63.5	189.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1.6	3.2	1.9	3.6	6.0	12.3	25.1	41.2	107.6
All Other Sales Promotion Expenses	1.5	3.8	3.4	2.3	5.8	7.4	45.3	33.8	169.9
Sub-Total for Sales Promotion	**2.7**	**3.7**	**6.4**	**7.9**	**15.7**	**35.8**	**72.0**	**119.9**	**254.2**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.5	2.9	2.6	2.1	5.7	6.1	28.1	30.4	333.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.1	1.3	1.5	1.6	1.9	2.7	18.0	13.5	60.0
All Other Sales Staff/Customer Relations Training	1.0	2.4	1.9	2.5	3.9	5.5	11.9	6.7	
Sub-Total for Staff Sales/Customer Relations Training	**1.3**	**2.8**	**2.7**	**3.5**	**6.3**	**8.3**	**34.3**	**37.0**	**314.4**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)		6.5	1.6	2.9	9.2	7.1	23.0	53.7	255.8
Non-Salary Internal Expenses		.6	.6	1.1	1.7	5.7	10.2	14.5	27.3
All Other Marketing Research		1.3	1.6	2.4	1.5	4.6	14.5	11.1	95.0
Sub-Total for Marketing Research		**3.2**	**4.0**	**5.3**	**7.9**	**7.4**	**26.0**	**59.6**	**315.8**
All Other Non-Salary Marketing Expenses		10.6	4.3	11.0	18.3	40.2	32.9	70.4	
Total Marketing Expenditures	**12.4**	**22.7**	**37.5**	**58.8**	**124.2**	**284.5**	**588.7**	**1461.4**	**5333.4**

Median Expenditures

The median expenditure for each line item and the five major marketing functions is shown in Table 2. Typically, the median is somewhat lower than the average computed, as is the case in Table 2.

For the total marketing budget, the median expenditure ranges from $7,800 in the smallest banks to $4,524,000 among the largest. As shown by the graph on Page 11, these figures compare to a range of $7,000 to $5,343,000 in 1987.

Median expenditures for advertising in 1988 range from $4,000 among smallest banks to $3,912,000 among the largest.

The median expenditure for public relations starts at $2,000 in the banks with less than $10 million in assets and increases to $550,000 in the banks with more than $5 billion in assets.

Sales promotion median expenditures range from a low $1,900 in the smallest banks to $220,000 in the largest.

Expenditures for staff sales/customer relations training are similar to those for sales promotion, with a low of $1,200 in banks with $10 million to $25 million in assets and increasing to $150,000 at the largest banks.

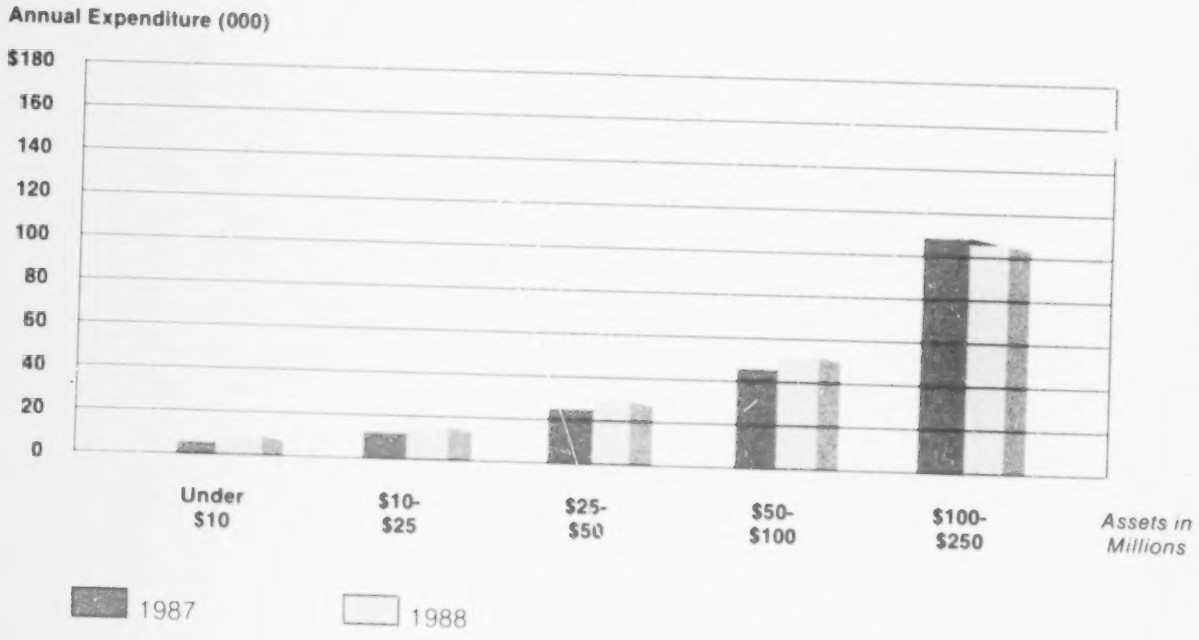
Median expenditures for marketing research range from only $800 in banks with $10 million to $25 million in assets to a high of $227,800 in banks with $5 billion or more in assets.

The differences between median and average expenditures are especially marked in the mass media. For example, while banks under $10 million spent an **average** of $4,100 on television, the **median** expenditure was $1,200. And, among the largest banks, the **average** television expenditure was $1,427,700 compared to a **median** of $1,092,400.

1987 and 1988 MEDIAN MARKETING EXPENDITURES

The two graphs below compare median expenditures by asset size for 1987 and 1988 (Data for 1988 from Table 2; text on Page 10).

Figure B



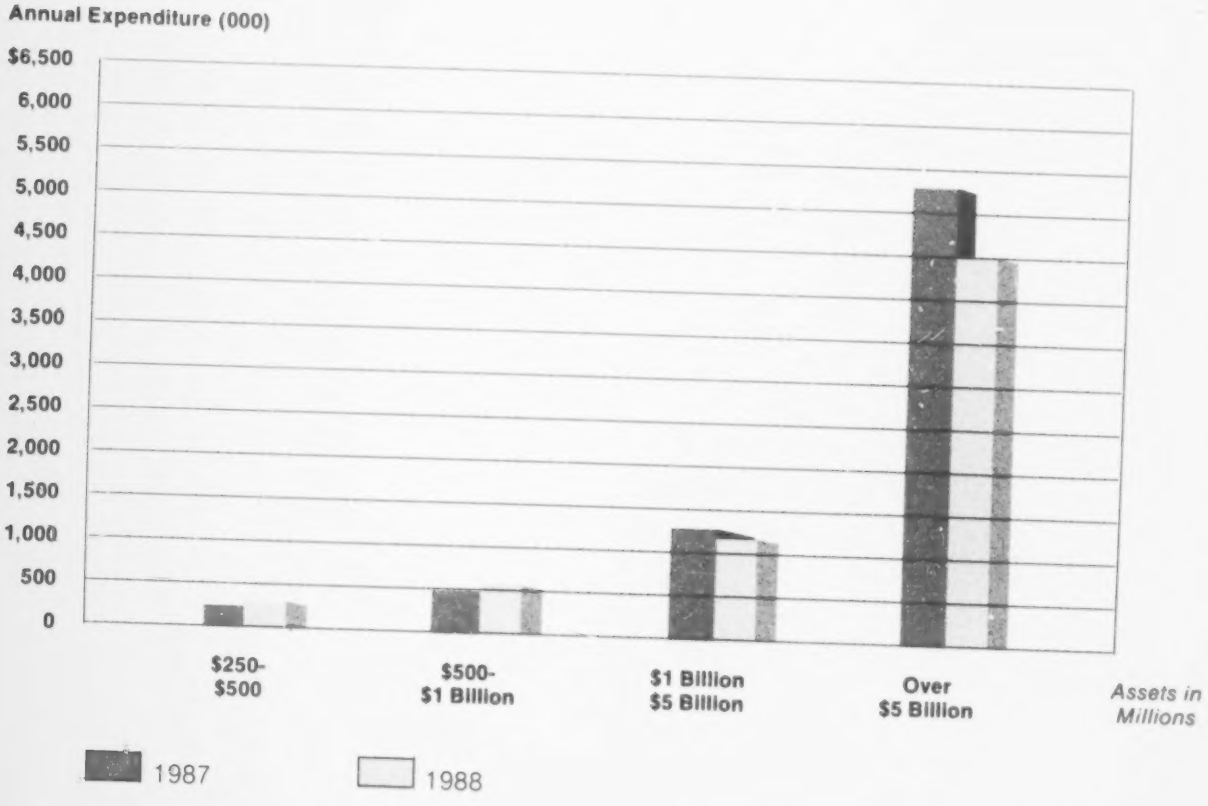


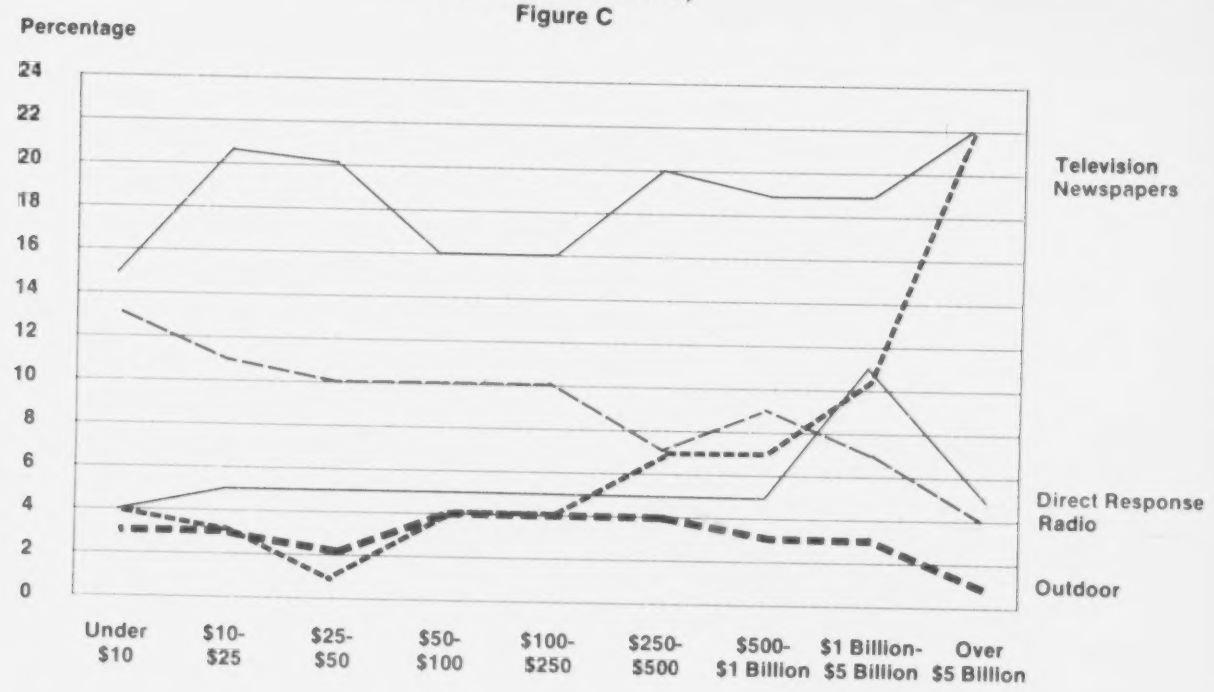
TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ 5	$ 8	$ 10	$ 10	$ 20	$ 41	$ 115	$ 220	$ 750
Directories (telephone, bank, city, etc.)	5	6	10	18	29	54	100	180	750
Newspapers	13	37	60	87	160	470	977	2000	6402
Television	12	20	7	45	70	150	375	1500	10924
Radio	15	20	40	60	132	196	490	865	1850
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	10	10	10	20	43	124	250	850	3000
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	20	20	25	30	65	100	330	408	665
Production Expenses (artwork, talent, etc.)	5	10	20	25	50	250	500	976	4000
Fees & Commissions (advertising agency, media representative, consultants, etc.)	20	23	23	37	61	187	400	820	1000
All Other Advertising	13	20	26	48	53	80	230	700	970
Sub-Total for Advertising	**4.0**	**8.3**	**17.5**	**29.5**	**63.0**	**150.8**	**350.0**	**825.8**	**3912.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	4	10	11	14	40	132	343	500	2000
Media Relations (press releases, press conferences, etc.)	2	7	5	5	10	20	50	50	900
Publications (community service publications, newsletters, etc.)	3	10	10	12	25	54	120	170	1141
Special Events (seminars, anniversaries, open house, etc.)	5	18	11	25	50	68	127	243	900
Public Relations Consultants Fees	10	10	40	24	33	150	240	300	500
Donations (includes donation advertising—schools, churches, civic clubs)	10	20	30	50	90	156	200	500	500
All Other Public Relations	5	11	30	40	60	80	160	320	3122
Sub-Total for Public Relations	**2.0**	**3.9**	**6.1**	**10.5**	**23.6**	**54.0**	**80.0**	**152.4**	**550.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	5	10	20	17	45	60	200	145	535
Newcomer Services (non-salary only)	20	10	5	6	10	13	25	50	200
Specialties (giveaways, such as calendars, pens, etc.)	10	20	25	35	64	105	150	172	200
Point-of-Sale Materials (displays, banners, brochures, etc.)	3	5	10	12	20	63	200	400	1900
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	10	10	11	20	20	50	81	180	1257
All Other Sales Promotion Expenses	10	30	25	19	29	50	104	223	1699
Sub-Total for Sales Promotion	**1.9**	**2.5**	**4.0**	**5.7**	**12.2**	**29.2**	**45.0**	**104.0**	**220.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	10	14	10	10	25	35	105	250	500
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1	10	10	10	10	10	129	56	300
All Other Sales Staff/Customer Relations Training	5	5	12	10	16	37	90	50	
Sub-Total for Staff Sales/Customer Relations Training	**1.5**	**1.2**	**1.5**	**2.0**	**3.3**	**5.8**	**12.9**	**22.0**	**150.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)		14	10	20	31	50	130	300	2180
Non-Salary Internal Expenses		5	4	10	10	20	50	50	200
All Other Marketing Research		3	3	13	9	40	50	50	400
Sub-Total for Marketing Research		**.8**	**1.0**	**1.3**	**3.5**	**5.0**	**15.0**	**55.0**	**227.8**
All Other Marketing Expenses		42	40	44	90	203	250	419	
Total Marketing Expenditures	**7.8**	**15.0**	**31.0**	**52.0**	**108.0**	**264.0**	**545.0**	**1242.5**	**4524.0**

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)

Figure C



Percentage Allocations

The information in Table 3 may be especially helpful in preparing your budget. It shows how responding banks allocated their marketing budget among the 30 different marketing categories, and how the size of the bank influences allocation decisions.

Advertising

The largest share of the marketing budget is allocated to advertising expenditures. In the banks with under $100 million in assets, 53% to 58% of the total marketing budget is spent on advertising. As the size of the bank increases, so does the proportion of the budget for advertising. It increases from 58% in the banks with $100 million to $250 million in assets to 74% of the total budget for banks of $5 billion or more in assets.

Figure C reveals that the advertising medium receiving the largest portion of the total marketing budget is newspapers, ranging from 15% to 22%, generally increasing with the size of the bank. Newspaper advertising has consistently accounted for the largest share of the budget in past years of the *Analysis*. In most banks, radio accounts for the next largest share of the budget. As a general trend, the portion of the budget allocated to radio decreases as the size of the bank increases. For example, in the smallest banks, radio accounts for 13% of the total marketing budget. However, the proportion declines to about 10% among middle tier banks and falls to only 4% of the budget in largest banks.

While radio usage declines with bank size, television usage increases. Lowest use, 1% of the total budget, occurs among banks with assets of $25 million to $50 million. Among middle tier banks, 4% to 5% of the budget is allocated to television, and among the largest banks 5% to 22% of the budget is for television. In the largest banks, those with assets above $5 billion, television usage increases to 22%.

Direct response accounts for 5% of the marketing budget in most asset ranges. Direct response receives 11% of the average marketing budget, however, at banks with assets between $1 billion and $5 billion (see the special section on direct mail starting on Page 26).

Advertising production expense becomes a larger part of the budget with bank size. In the smallest banks, production expenses such as artwork and talent account for 2% to 5% of the total marketing budget. In middle tier banks, the proportion increases to 6% to 8% and rises to a high of 13% of the banks with more than $5 billion in assets.

Fees for advertising agencies and consultants average 2% to 4% at the smallest banks, increase to 3% to 6% at middle tier banks, and average 3% to 5% at banks over $1 billion in assets.

Public Relations

As in prior years of the *Analysis*, the allocation for public relations activities is negatively correlated to the size of the bank, decreasing from a high of 32% in the banks with under $10 million in assets, to 22% to

24% of the budgets of middle tier banks, and declining to only 14% to 17% of the budgets in banks with more than $1 billion in assets.

Donations continue to account for the largest percentage of expenditures within public relations, rising to as much as 14% of the total marketing budget in the smallest banks, but declining to 5% to 7% of the budget in the largest banks. Included in this category are the customary donations to churches, civic clubs and similar organizations, and donation advertising, such as ads in club, church or school booklets.

Special events receive a significant share of the marketing budget, as much as 11% in the smallest banks. However, their share declines with the size of the bank. Middle tier banks allocate about 4% of their budget to special events, but less than 1% of the largest banks' budgets were spent for this purpose.

Stockholder and investment community relations average 2% to 5% of the budget, and publications such as newsletters account for 1% to 2%.

Media relations accounts for less than 1% of the total marketing budget in most banks.

Sales Promotion

These activities include premiums, giveaways, newcomer services, point-of-sale materials and employee incentives. On average, they account for 13% to 14% of the smallest banks budgets, but decline to 4% to 8% of the budgets in banks with assets of $1 billion or more. Largest expenditures are allocated to specialties, declining from 9% of the small banks to 2% of less of the budget in the largest banks.

Point-of-sale expenditures account for about 1% to 2% in the smallest banks, and increase to 2% to 4% at the largest banks. Premiums generally receive 1% or less of the total marketing budget.

Staff Sales/Customer Relations Training

In general, 2% to 5% of the budget is spent on sales/customer relations training materials. The proportion of the budget allocated to this type of training in 1988 and prior years has declined with asset size. Because many of these expenses represent fixed costs, such as for videotapes, and training manuals, the amount does not increase proportionately with the size of the bank.

Marketing Research

Aside from advertising expenditures, marketing research expenditures are the only other category to increase as the size of the bank increases. Only 2% of the budget is allocated to marketing research in banks with under $500 million in assets. But, the proportion increases to 4% to 6% in the larger banks. Expenditures for consultants, field work and processing account for virtually all of the costs in this category.

TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1988 BY ASSET SIZE

(All Reporting Banks - 1988, Percentages)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	1%	2%	2%	1%	1%	1%	2%	3%	1%
Directories (telephone, bank, city, etc.)	4	2	4	3	3	2	2	2	1
Newspapers	15	21	20	16	16	20	19	19	22
Television	4	3	1	4	4	5	5	10	22
Radio	13	11	10	10	10	7	9	7	4
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	4	5	5	5	5	5	5	11	5
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	3	3	2	4	4	4	3	3	1
Production Expenses (artwork, talent, etc.)	5	2	4	3	6	8	8	7	13
Fees & Commissions (advertising agency media representative, consultants, etc.)	2	2	4	4	3	6	5	5	3
All Other Advertising	3	3	4	5	3	1	3	4	2
Sub-Total for Advertising	**53**	**57**	**58**	**57**	**58**	**60**	**63**	**69**	**74**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	2	2	3	3	3	5	3	3	3
Media Relations (press releases, press conferences, etc.)	*	1	*	*	*	*	1	1	1
Publications (community service publications, newsletters, etc.)	2	2	2	1	2	2	2	1	1
Special Events (seminars, anniversaries, open house, etc.)	11	6	4	4	4	4	3	3	*
Public Relations Consultants Fees	2	1	1	*	1	1	1	1	*
Donations (includes donation advertising—schools, churches, civic clubs)	14	8	10	10	9	8	5	7	5
All Other Public Relations	1	1	2	3	3	2	2	1	2
Sub-Total for Public Relations	**32**	**21**	**21**	**23**	**24**	**22**	**17**	**17**	**14**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	1	1	2	1	1	1	1	*	*
Newcomer Services (non-salary only)	1	*	*	*	*	*	*	*	*
Specialties (giveaways, such as calendars, pens, etc.)	9	6	8	7	5	4	2	2	*
Point-of-Sale Materials (displays, banners, brochures, etc.)	*	1	2	1	2	3	4	4	2
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	2	2	2	2	2	2	2	1	1
All Other Sales Promotion Expenses	1	1	1	*	1	1	1	1	*
Sub-Total for Sales Promotion	**13**	**13**	**14**	**12**	**12**	**12**	**11**	**8**	**4**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1	2	1	1	2	1	2	1	2
Non-Salary Internal Expenses (development, printing, classroom, etc.)	*	1	1	1	*	*	1	*	*
All Other Sales Staff/Customer Relations Training	1	2	1	1	*	*	*	*	
Sub-Total for Staff Sales/Customer Relations Training	**2**	**5**	**4**	**3**	**3**	**2**	**3**	**2**	**3**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)		2	1	*	2	1	2	3	4
Non-Salary Internal Expenses		*	*	*	*	*	1	*	*
All Other Marketing Research		*	*	*	*	*	*	*	*
Sub-Total for Marketing Research		**2**	**2**	**2**	**2**	**2**	**4**	**4**	**6**
All Other Marketing Expenses		2	1	3	1	2	2	*	
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

Table 4 shows the percentage of banks which reported on expenditures in each category while Table 3 showed the percentage amount of the marketing budget spent for each category. Thus, by referring to the appropriate column for your bank's asset size, you can learn where banks of similar size and in similar markets spend their budget.

Advertising

As in past years of the *Analysis*, advertising is the most widely used of the five major marketing functions, and it is used by nearly all banks. Among those banks with assets from $10 million to $25 million, 3% of banks did not report an expenditure on advertising. Ninety nine per cent or more of banks in the remaining ranges used advertising.

Newspapers are the most widely used advertising medium. Lowest usage is among banks under $10 million where 15% did not report an expenditure for newspapers. But, usage in general increases with the size of the bank, up to a high of 98% of those banks between $250 million and $500 million in assets.

Directory advertising also was used by most banks, ranging from 58% among banks between $10 million and $25 million up to a high of 96% for those banks between $1 billion and $5 billion. Both radio and direct response advertising are widely used. Radio increases from 58% of smaller banks to a high of 91% of the largest banks. While less than one-half of smaller banks used radio in 1983, about two-thirds used it in 1988.

Direct response advertising is used by 38% of smallest banks, with usage growing to 92% among banks between $1 billion and $5 billion. Direct mail advertising is examined in detail on page 26 of this report.

Magazines are used less often among smaller banks, ranging from 12% to 28%, and more among larger banks, ranging from 67% of the banks between $500 million and $1 billion in assets to 84% among those banks between $1 billion and $5 billion in assets.

The percentage of smaller banks reporting expenditures for television has increased over the past five years. In the *Analysis* of 1983 expenditures, only 6% to 9% of banks under $25 million reported an expenditure for television advertising, while 12% to 18% did in 1988.

Approximately 30% of middle tier banks used television in 1988, while highest use was among banks over $5 billion in assets, 82%.

Outdoor advertising was used by 8% of the smallest banks, about 50% of the middle tier banks and 51% to 65% of the largest banks.

Public Relations

Most banks also reported expenditures for at least one category of public relations in 1988. While only two-thirds of the banks under $10 million reported expenditures in 1983, all of them did in 1988.

The most often used category was donations, with more than 75% of banks reporting an expenditure in most asset ranges. However, the use of donations appears to decline somewhat among larger banks. The decline could be due in part to budgeting methods used in larger banks which might segregate all or portions of 'donations' from the marketing budget to other budget areas of the bank.

Special events are widely used. While about one-half to two-thirds of middle tier banks use special events, their use increases to more than three-fourths of those banks between $250 million and $5 billion in assets.

Stockholder/investment community expenditures also are common among all banks and increase with asset size from 31% of the smallest banks to a high of 69% among middle tier banks.

Publications, such as newsletters, also increase with the size of the bank. They are used by about one-fourth of the smaller banks but usage increases to approximately 50% of the middle tier banks and 69% among banks between $1 billion and $5 billion in assets.

As might be expected, there is a wide divergence in expenditures for media relations between smaller banks (generally 10% or less) and the largest banks (generally 50% or more).

Public relations consultants are used by fewer than 10% of banks up to $250 million. Their use, however, increases to 36% of those banks over $5 billion in assets.

Sales Promotion

Approximately the same proportion of banks used sales promotion activities in 1988 as did in 1983. The most widely used expenditure category was for specialties such as calendars, pens and other giveaways. More than 60% of the smallest banks used them, and more than 80% of the banks between $250 million and $5 billion use them.

The expenditure reported second most often was for

point-of-sale materials — 12% of the smallest banks and 84% of those banks between $1 billion and $5 billion in assets. Expenditures for employee incentives were reported by less than 20% of the banks under $25 million, by 29% to 36% of those between $25 million and $100 million, and by approximately 50% of those over $100 million in assets. Expenditures for premiums were reported most often in middle tier banks — 22% to 35% — and least often in the smallest banks — 8% to 12%.

Newcomer services are used by less than one-fourth of banks overall. Usage rises from only 4% of the smallest banks to 30% of those between $250 million and $500 million.

Staff Sales/Customer Relations Training

Within this function, the category used by most banks is 'external expenses,' such as for consultants, materials and facilities. While 8% of the smallest banks reported external expenditures, about one-third of the middle tier banks incurred external expenses. Highest use was among the banks between $1 billion and $5 billion (47%).

Closely parallel with external expenses were internal non-salary expenses, such as for program development, printing, equipment, etc. They were reported by about 4% of the smallest banks, by 21% to 34% of the middle tier banks, and by 45% of the banks between $1 billion and $5 billion.

Marketing Research

While none of the banks under $10 million reported an expenditure for marketing research, 14% of those between $10 million and $25 million did. In the middle range, between $100 million and $250 million, 38% reported an expenditure. At banks between $500 million and $1 billion in assets, 82% spent money on research, and usage was highest at banks above $1 billion — ranging from 90% to 100% of reporting banks.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1988 BY ASSET SIZE

(All Reporting Banks - 1988, Precentages)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	12%	25%	32%	28%	41%	62%	67%	84%	82%
Directories (telephone, bank, city, etc.)	77	58	76	77	82	90	78	96	91
Newspapers	85	88	90	94	94	98	91	90	91
Television	12	18	14	28	32	60	47	69	82
Radio	58	67	68	82	79	81	82	90	91
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	38	50	60	66	72	90	85	92	91
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	8	17	25	49	57	67	51	65	64
Production Expenses (artwork, talent, etc.)	8	21	39	49	74	80	84	88	100
Fees & Commissions (advertising agency, media representative, consultants, etc.)	12	14	27	41	47	70	75	71	73
All Other Advertising	27	18	30	35	35	30	31	43	45
Sub-Total for Advertising	**100**	**97**	**99**	**100**	**100**	**99**	**100**	**100**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	31	31	46	53	54	69	51	59	55
Media Relations (press releases, press conferences, etc.)	4	8	10	14	21	34	53	61	45
Publications (community service publications, newsletters, etc.)	23	26	37	43	51	55	56	69	45
Special Events (seminars, anniversaries, open house, etc.)	46	54	61	67	70	81	76	82	27
Public Relations Consultants Fees	8	7	4	6	8	10	20	27	36
Donations (includes donation advertising—schools, churches, civic clubs)	92	77	93	90	89	90	84	84	36
All Other Public Relations	12	15	24	31	38	32	35	31	27
Sub-Total for Public Relations	**100**	**93**	**99**	**97**	**99**	**97**	**100**	**94**	**82**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	8	9	12	15	22	35	22	27	18
Newcomer Services (non-salary only)	4	8	14	20	26	30	22	20	27
Specialties (giveaways, such as calendars, pens, etc.)	62	65	74	78	79	81	82	84	55
Point-of-Sale Materials (displays, banners, brochures, etc.)	12	21	43	43	57	80	71	84	55
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	12	17	29	36	45	58	51	51	45
All Other Sales Promotion Expenses	8	7	9	10	16	25	16	27	9
Sub-Total for Sales Promotion	**62**	**76**	**84**	**92**	**92**	**96**	**93**	**98**	**82**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	8	15	21	27	33	34	38	47	36
Non-Salary Internal Expenses (development, printing, classroom, etc.)	4	15	24	21	22	34	27	45	36
All Other Sales Staff/Customer Relations Training	8	15	20	22	15	22	9	14	
Sub-Total for Staff Sales/Customer Relations Training	**15**	**39**	**51**	**54**	**50**	**53**	**56**	**67**	**45**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)		6	14	10	29	55	64	73	82
Non-Salary Internal Expenses		5	4	7	9	14	31	33	27
All Other Marketing Research		4	6	8	7	15	16	16	18
Sub-Total for Marketing Research		**14**	**22**	**25**	**38**	**70**	**82**	**90**	**100**
All Other Marketing Expenses		5	4	11	10	16	20	12	
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGET BY MARKET SIZE AND TYPE

One of the factors which influences expenditures is the size of the bank's market. Tables 5, 6, and 7 show how the budget varies with both the size and type of market.

Expenditures for the 36 categories of the marketing budget are shown for four different population sizes:

- Under 100,000
- 100,000 to 500,000
- 500,000 to 1 million
- 1 million or more

Spending naturally increases with the size of the market. In the smallest, the total marketing budgets average $74,800, a significant increase from the $56,100 reported five years ago, and an increase over the $63,100 spent in 1987.

Spending also increased in the 100,000 to 500,000 market, from the $202,500 reported in 1983 to $253,100 in 1988. In 1987, the average expenditure was $236,500.

However, spending in the next largest market (500,000 to 1 million population), declined from both 1983's level of $593,800 and 1987's level of $599,600.

In the largest markets of over 1 million population, the average marketing budget was slightly higher than reported in 1983 ($1,422,500), but lower than in 1987 ($1,825,600).

The expenditures for each of the five functional areas within the budget reflect the variances shown for the overall budget. For example, advertising expenditures in the smallest market were $43,200 in 1988, up from both 1983 ($35,300) and 1987 ($37,000).

Expenditures for Public Relations in 1988 ranged from $18,000 in the smallest markets, to a high of $229,800 in the largest markets. Again, spending was higher in the two smallest markets than one year ago and five years ago, but lower in the two largest markets.

Spending for Sales Promotion activities, $10,600 in the markets of under 100,000 population, rose to $109,300 in the largest markets. In the 500,000 to 1 million market, the $64,200 expenditure exceeded both 1983's expenditure of $55,700 and 1987's $57,600.

Staff Sales/Customer Relations Training expenditures were $4,600 for 1988 in the smallest markets, but increased to $66,200 in the largest.

Marketing Research expenditures were $6,300 in the smallest markets, and increased to $95,100 in the largest.

The distribution of the responding banks was similar to that in 1987: 65% were in markets under 100,000, 21.2% in markets of 100,000 to 500,000; 5.2% in markets of 500,000 to 1 million, and 8.2% in markets of 1 million or more.

The total marketing expenditures for responding banks are shown in even greater detail in Tables 6 and 7. Table 6 shows the average, median, minimum and maximum marketing expenditure for respondents within each of the nine asset ranges. For example, consider a bank with $600 million in assets. In the smallest markets the average expenditure for such a bank was $483,400. In markets of 100,000 to 500,000 the average expenditure increased to $534,600; in markets of 500,000 to 1 million it was $577,800, and in the markets of 1 million or more it increased to $784,900.

Table 6 also reveals the median expenditure for each of the market types within all of the asset ranges.

Table 7, using a similar format, shows the total marketing expenditures for each of the four population ranges, and for five different market types:

- More than one state
- Statewide
- Urban
- Suburban
- Rural

As an example, the average marketing expenditure for a bank in a suburban market of 100,000 to 500,000 is $221,100, while the median expenditure is $141,900.

The data in these tables can be useful not only in preparing your own budget, but also in estimating how much competitors in your market may be spending. This information is most useful when other factors in your market are considered, such as the media available, its cost, the demographics of the market, and the strategic direction of your bank and its competitors.

There is wide diversity in banks' expenditures, and these data should not be considered as hard and fast absolutes. For example, as shown in Table 7, the total expenditures for banks in urban markets of 500,000 to 1 million range from a low of only $42,000 to a high of $1,511,000, and the median budget is $243,000.

Even smaller banks in large markets have been able to compete very effectively by seeking out opportunities in a special niche, such as serving affluent individuals, smaller businesses, professional firms or others, rather than confronting larger institutions head-on with a smaller budget.

For further guidance on budgeting, refer to "Budgeting for Bank Marketing" on Page 3.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1988, $000)

Expenditure Type	Population Size: Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.1	$ 8.7	$ 27.4	$ 49.8
Directories (telephone, bank, city, etc.)	2.6	7.5	8.6	28.7
Newspapers	13.6	46.1	86.6	410.5
Television	9.5	34.4	83.6	576.3
Radio	10.8	23.4	42.0	144.9
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	5.0	20.2	32.0	148.0
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	6.4	18.0	28.4	52.3
Production Expenses (artwork, talent, etc.)	7.9	27.4	57.0	184.9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8.4	20.6	43.5	85.7
All Other Advertising	7.4	20.5	76.6	106.2
Sub-Total for Advertising	**43.2**	**158.8**	**292.2**	**1120.3**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	5.1	13.7	38.2	79.8
Media Relations (press releases, press conferences, etc.)	1.9	3.3	6.1	20.9
Publications (community service publications, newsletters, etc.)	2.9	9.2	14.7	30.2
Special Events (seminars, anniversaries, open house, etc.)	4.7	12.6	22.5	34.2
Public Relations Consultants Fees	5.6	16.6	32.4	34.8
Donations (includes donation advertising—schools, churches, civic clubs)	6.2	19.5	37.2	122.5
All Other Public Relations	6.6	36.2	22.7	54.7
Sub-Total for Public Relations	**18.0**	**56.0**	**93.7**	**229.8**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	4.3	8.4	22.2	27.3
Newcomer Services (non-salary only)	1.5	4.1	7.2	18.9
Specialties (giveaways, such as calendars, pens, etc.)	6.3	10.5	17.2	20.2
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.2	9.3	23.7	68.6
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	4.3	10.9	34.7	36.8
All Other Sales Promotion Expenses	4.1	9.9	10.4	60.3
Sub-Total for Sales Promotion	**10.6**	**27.2**	**64.2**	**109.3**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	3.9	7.6	14.4	65.6
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1.7	6.2	10.3	16.0
All Other Sales Staff/Customer Relations Training	3.1	3.2	4.4	8.6
Sub-Total for Staff Sales/Customer Relations Training	**4.6**	**9.3**	**15.6**	**66.2**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	8.2	10.5	24.3	79.4
Non-Salary Internal Expenses	1.0	6.0	9.1	16.9
All Other Marketing Research	1.9	5.5	19.2	29.4
Sub-Total for Marketing Research	**6.3**	**13.1**	**24.0**	**95.1**
All Other Marketing Expenses	15.2	27.3	39.1	48.4
Total Marketing Expenditures	**74.8**	**253.1**	**472.9**	**1529.3**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Population Size	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	25	99	120	167	167	36	6	d	
Average Expenditure	**$ 10.8**	**$ 22.1**	**$ 33.4**	**$ 56.4**	**$109.7**	**$230.5**	**$483.4**		
Minimum Expenditure	1.0	1.7	2.6	6.5	17.5	67.7	244.9		
Maximum Expenditure	54.6	138.0	178.1	224.0	367.0	393.0	890.1		
Median Expenditure	**7.8**	**14.7**	**27.8**	**51.8**	**93.7**	**239.4**	**438.5**		
100,000 - 500,000									
Number of Reporting Banks		4	13	34	75	44	23	8	d
Average Expenditure		**42.5**	**57.1**	**71.6**	**151.0**	**316.7**	**534.6**	**948.3**	
Minimum Expenditure		15.6	9.8	3.0	10.0	110.5	132.9	445.0	
Maximum Expenditure		83.8	148.6	183.1	515.1	658.7	1012.1	1602.0	
Median Expenditure		**19.4**	**44.3**	**60.0**	**140.7**	**272.3**	**548.0**	**846.0**	
500,000 - 1 Million									
Number of Reporting Banks		d	3	4	11	8	13	10	
Average Expenditure			**53.1**	**83.1**	**137.8**	**351.9**	**577.8**	**1130.1**	
Minimum Expenditure			20.0	19.1	39.5	69.2	385.0	548.1	
Maximum Expenditure			82.0	196.3	243.0	824.9	875.0	1788.7	
Median Expenditure			**57.2**	**42.0**	**141.0**	**328.9**	**614.2**	**1091.5**	
1 Million or More									
Number of Reporting Banks		d	2	5	11	7	12	29	10
Average Expenditure			**122.9**	**35.1**	**146.8**	**254.5**	**784.9**	**1722.6**	**5604.1**
Minimum Expenditure			46.4	8.9	52.0	70.2	276.9	132.0	146.7
Maximum Expenditure			199.5	73.1	332.0	469.0	1601.8	4337.0	14860.0
Median Expenditure			**46.4**	**35.3**	**146.4**	**211.8**	**610.0**	**1512.1**	**4524.0**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1988, $000)

Population Size	Market Type				
	More than One State	Statewide	Urban	Suburban	Rural
Under 100,000					
Number of Reporting Banks	12	6	84	126	388
Average Expenditure	**$ 91.4**	**$132.4**	**$120.9**	**$102.3**	**$ 54.7**
Minimum Expenditure	9.8	60.0	6.5	1.9	1.0
Maximum Expenditure	311.3	184.0	545.0	890.1	1043.0
Median Expenditure	**61.8**	**154.4**	**80.9**	**73.5**	**37.0**
100,000 - 500,000					
Number of Reporting Banks	4	9	75	95	18
Average Expenditure	**354.0**	**522.8**	**273.5**	**221.1**	**184.5**
Minimum Expenditure	210.7	45.0	3.0	7.3	33.9
Maximum Expenditure	548.0	1419.0	2627.0	1602.0	669.4
Median Expenditure	**240.0**	**161.3**	**183.4**	**141.9**	**138.9**
500,000 - 1 Million					
Number of Reporting Banks	2	6	19	19	3
Average Expenditure	**328.5**	**1169.0**	**468.9**	**286.2**	**538.8**
Minimum Expenditure	244.9	614.2	42.0	19.1	385.0
Maximum Expenditure	412.0	1788.7	1511.0	875.0	700.4
Median Expenditure	**244.9**	**646.0**	**243.0**	**150.2**	**531.0**
1 Million or More					
Number of Reporting Banks	10	19	37	10	d
Average Expenditure	**3447.9**	**2014.7**	**891.2**	**1126.5**	
Minimum Expenditure	59.0	52.0	3.0	193.4	
Maximum Expenditure	14860.0	6200.9	5858.0	3047.9	
Median Expenditure	**1265.7**	**1733.8**	**381.5**	**1055.1**	

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

The *Analysis* asks respondents to report on how their marketing expenditures are allocated among the following types of services:

- Retail (to individuals)
- Commercial/Corporate (to businesses)
- Trust
- Institutional

The results are shown in Tables 8 through 12.

Consistent with previous years' reporting in the *Analysis*, one-half to two-thirds of banks' marketing spending was for retail services. On average, in banks with assets either under or over $100 million, 60% of the marketing budget was spent on retail services. This proportion has remained steady for larger banks when compared to five years ago, but for smaller banks it represents a slight decline (from 63%).

Expenditures for commercial/corporate services accounted for 21% of community bank budgets and only 15% of budgets of larger banks, unchanged from five years ago. The share for commercial/corporate services is highest in banks with $50 million to $100 million in assets at 25.5%. It declines to 9% for banks over $5 billion.

A greater share of the marketing budget is allocated to trust marketing as the size of the bank increases — from 2% on average for banks under $100 million to 7% for those over $100 million. In general, the larger banks spend at nearly triple the rate of the smaller banks for trust services with the highest spending by banks over $5 billion in assets (13.3%).

The spending emphasis for institutional services is strongest among banks $100 to $250 million and $250 to $500 million at over 18%. Overall, larger banks allocated a greater share of their budget to institutional services (16%) than did smaller banks (12%).

For all banks, the proportion of the budget spent on both trust and institutional services is about the same as in 1983.

Percentage Allocations

Table 9 shows the percentage of responding banks indicating marketing expenditures for each type of service. Retail is the most common marketing activity with expenditures reported by 90% to 100% of all banks across all asset sizes.

The incidence of banks reporting expenditures for commercial/corporate services also is high, ranging from 60% to 90% among banks under $100 million and 81% to 91% among banks over $100 million in assets. Institutional services marketing also increases with asset size, increasing from a low of 30% among the smallest banks to up to 76% among larger banks.

Trust services expenditures are also reported less often for community banks, 7% to 49%, and more often for larger banks, 55% to 70%.

Expenditures for all other types of marketing services occur at from 9% to 27% of all banks.

TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE IN 1988 BY ASSET SIZE
(All Reporting Banks - 1988, Percentages)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	62.8%	65.8%	57.7%	56.8%	54.8%	58.9%	61.0%	65.3%	61.3%
Commercial/Corporate (business)	10.8	23.3	24.7	25.5	20.6	14.1	19.0	14.5	9.0
Trust	5.5	5	1.3	2.2	4.3	6.0	5.3	6.2	13.3
Institutional	12.0	7.9	13.7	13.7	18.3	18.6	12.7	13.1	15.2
Other	9.0	2.5	2.6	1.8	2.0	2.5	2.2	9	1.3

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Figure D

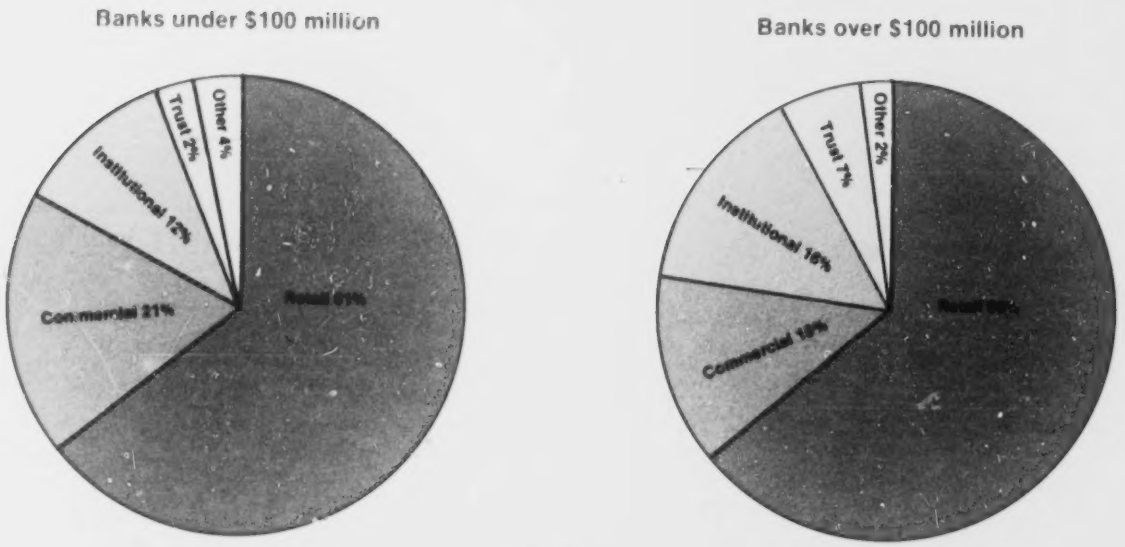


TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE IN 1988 BY ASSET SIZE

(All Reporting Banks - 1988, Percentages)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	90%	96%	96%	97%	96%	98%	100%	95%	91%
Commercial/Corporate (business)	60	84	87	90	90	86	81	86	91
Trust	10	7	14	28	49	55	56	70	64
Institutional	30	33	47	55	71	76	65	75	73
Other	25	9	14	12	12	16	17	23	27

Amount of Expenditures

In measuring the actual amount of money spent on each general type of service, Table 10 shows that the average expenditure on retail services for the smallest banks was $8,400 and ranged upward to $70,200 for banks between $100 million and $250 million and to $4,235,700 among the very largest banks.

Institutional expenditures were second highest, with banks under $100 million spending $4,600 to $17,100; middle tier banks spending $32,700 to $115,500, and the largest banks spending $218,900 to $970,600.

The third highest category, commercial/corporate marketing, ranges from $2,200 to $15,700 at banks under $100 million; from $29,200 to $137,200 at middle tier banks, and from $221,500 to $498,400 at the largest banks.

Median expenditures are shown in Table 11 for retail, commercial/corporate, trust and institutional services. As noted in earlier tables, the median amounts are generally less than the averages shown in Table 10.

Table 12 shows how the average marketing expenditure for various types of services varies with the population size of the responding banks' markets. As would be expected, larger markets tend to contain larger banks, hence the direct correlation between population and expenditures. Banks in markets with populations under 100,000 spent an average of $45,900 on retail services. The amount increases with the size of the market to $149,200 in markets of 100,000 to 500,000 and $358,600 in markets of 500,000 to 1 million and to $1,223,600 in the markets of 1 million or more.

Institutional expenditures increase from $24,700 to $295,600. Commercial/corporate marketing ranges from $16,200 in the smallest markets to $250,400 in the largest, and trust marketing increases from $9,400 in markets under 100,000 to $139,800 in the markets of 1 million or more.

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 8.4	$15.7	$23.9	$32.4	$70.2	$169.4	$364.4	$1015.4	$4235.7
Commercial/Corporate (business)	2.2	7.4	11.5	15.7	29.2	47.7	137.2	221.5	498.4
Trust	28.7	1.6	3.2	5.2	10.5	23.6	50.0	87.5	405.3
Institutional	4.6	5.9	11.6	17.1	32.7	79.5	115.5	218.9	970.6
Other	3.9	4.9	4.8	8.6	28.7	49.4	67.7	57.6	241.3

TABLE 11
MEDIAN MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 4.5	$10.6	$18.5	$27.5	$60.0	$149.0	$338.8	$775.0	$2564.4
Commercial/Corporate (business)	.9	4.4	7.4	10.6	20.5	29.2	70.0	135.5	337.6
Trust	.53	.8	1.7	3.8	8.1	18.8	44.2	64.6	262.7
Institutional	2.0	3.4	6.4	11.0	20.5	38.2	62.3	122.8	769.3
Other	2.0	2.3	3.5	6.1	10.5	24.3	27.7	34.3	248.0

TABLE 12
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1988, $000)

Service Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$45.9	$149.2	$358.6	$1223.6
Commercial/Corporate (business)	16.2	47.4	80.7	250.4
Trust	9.4	27.6	56.3	139.8
Institutional	24.7	68.8	111.4	295.6
Other	10.8	55.6	54.3	147.6

In the questionnaire for this year's *Analysis*, banks were asked to report on their use of direct mail. This subject was included in the questionnaire as a follow-up to the 1985 *Analysis* which examined expenditures for direct mail for the first time.

The questions were designed specifically to measure activities about **noncustomer** promotional mailings. Expenditures for customer statement enclosures were to be excluded from responses.

The categories of information in this section are:

- The number of promotional mailings actually sent in 1988.
- The number of promotional mailings the bank expects to send in 1989.
- The general types of services which banks promote in their mailings (i.e. credit, deposit and corporate).
- Within those three general types of services, the specific products promoted (such as home equity loans, credit cards, money market accounts, checking, etc.).

The findings from the special section are reported in Tables 13 through 15 and in Figures E and F along with comparisons to the findings from 1985.

Who's Using the Mail

The proportion of banks which used direct mail advertising in 1988 is shown in Table 13. At least 50% or more of all banks used direct mail advertising in 1988, with the exception of those in the smallest asset range (under $10 million) where only 24% used mail. Usage is highest among banks above $250 million where 91% to 96% used mail advertising.

While the percentage of banks using direct mail in 1988 was similar in most cases to the percentage using it in 1989, there are significant differences in the subject matter they promote (see Table 15).

More or Less in Future?

When asked if they would conduct mailings in 1989, more than one-half of respondents in all asset sizes except those under $10 million said they would, as shown in Table 14. The proportion of banks expecting to use mail advertising in 1989 varies from a low of 40% in the smallest banks to 100% among the largest banks.

Figure E shows the average number of mailings which banks conducted in 1988, and the average number they intend to conduct in 1989, by the nine asset ranges. The number they conducted in 1988 increases steadily with each asset range from a low of .8 mailings among banks under $10 million, to 3.5 to 4.7 among middle tier banks, and to a high of 6.7 among the largest banks. The number mailed in 1988 was greater than or equal to the average number mailed in 1985 in most asset categories.

Furthermore, banks in every asset category, on average, expect to mail more mailings in 1989 than they did 1988. For example, banks under $10 million expect to mail 1.2 mailings while those in the middle tier expect to mail 3.9 to 6 mailings and the largest banks expect to send 8.8 mailings.

Figure F shows how the number of mailings used in 1988 and planned in 1989 varies with the primary creative source of the bank's advertising. Those which use bank staff to prepare advertising mailed 2.1 in 1988 and expect to send 3.1 mailings in 1989. Those who rely on holding company staff as the source for their advertising mailed 3.1 in 1988 and plan to conduct 4.0 mailings in 1989. However, those banks which use an advertising agency as their primary source of advertising conducted 3.5 mailings in 1988 and plan to mail 4.7 in 1989.

TABLE 13
USE OF DIRECT MAIL
(All Reporting Banks - 1988, Percentages)

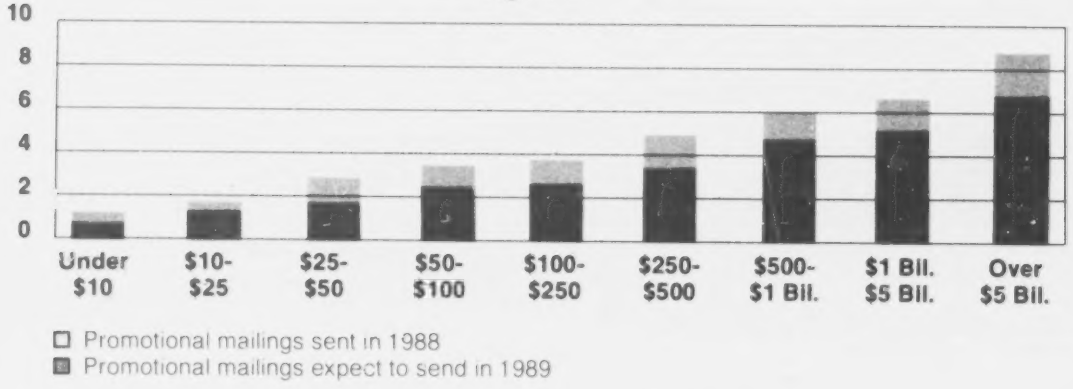
Use of Mail	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Did Not Use Mail	76%	49%	44%	28%	19%	10%	4%	6%	9%
1 - 3	20	41	39	48	57	52	35	33	18
4 - 6		8	13	19	17	27	43	31	27
7 - 9		1	2	1	3	7	5	8	
10 Or More	4	1	2	4	4	4	13	22	46
Total Using Mail - 1985	28	45	53	65	86	91	95	98	100
Total Using Mail - 1988	**24**	**51**	**56**	**72**	**81**	**91**	**96**	**94**	**91**

TABLE 14
EXPECTED USE OF DIRECT MAIL IN 1989
(All Reporting Banks - 1988, Percentages)

Use of Mail	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Will Not Use Mail	60%	42%	31%	21%	12%	4%	2%	6%	
1 - 3	36	41	41	40	43	36	15	16	18
4 - 6		11	20	23	28	31	50	33	9
7 - 9		4	4	9	9	15	15	12	
10 Or More	4	2	4	7	8	15	19	33	73
Total Will Use Mail - 1989	**40**	**58**	**69**	**79**	**88**	**96**	**98**	**94**	**100**
Total Using Mail - 1988	24	51	56	72	81	91	96	94	91

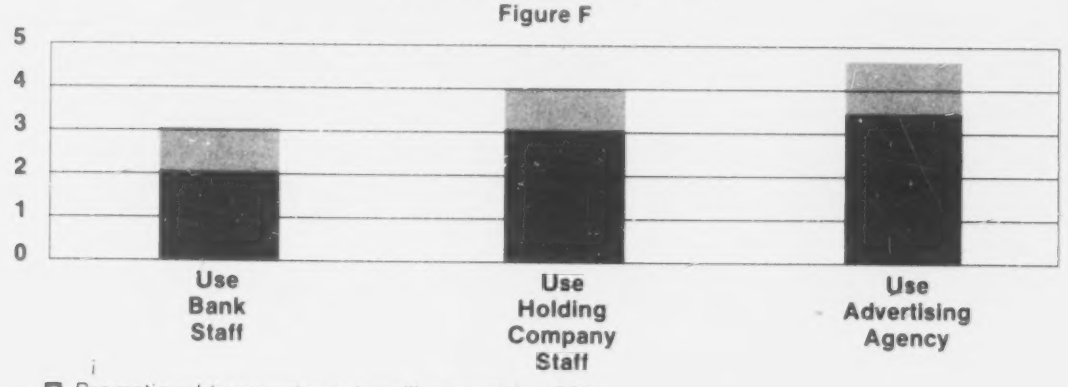
NUMBER OF MAILINGS BY ASSET SIZE
(1988 Actual, 1989 Expected)

Figure E



NUMBER OF MAILINGS BY ADVERTISING SOURCE
(1988 Actual, 1989 Expected)

Figure F



Responding banks also reported on the types of services they promoted with direct mail. The results, shown in Table 15, indicate that deposit and credit services are promoted most often, followed by corporate services. There also are differences in the types of services promoted based on the size of the bank.

Deposit Services

Fifty six per cent of banks under $100 million in assets promote deposit services by mail, somewhat higher than the 47% which reported promoting deposit services in 1985. Checking services are most likely to be promoted, followed by money market accounts. Both money market accounts and short term certificates receive more promotion now than in the 1985 *Analysis*. The proportion of smaller banks promoting IRAs has declined somewhat since 1985. Now, 15% of the smallest banks and 32% to 38% of the banks between $10 million and $100 million in assets promote IRAs by mail.

Among banks with more than $100 million in assets, 80% promote deposit services by mail, approximately the same proportion as in the 1985 study. However, in the 1985 *Analysis*, 70% to 93% promoted IRAs by mail, while only 44% to 64% promoted them this year. Nonetheless, IRAs are still the single deposit service which larger banks are most likely to promote. They also are likely to promote short term certificates (20% to 55%), checking (24% to 40%) and long term certificates (16% to 36%). Money market accounts are promoted by 16% to 29% of banks with more than $100 million in assets.

Credit Services

Forty seven per cent of banks with less than $100 million in assets promote credit services by mail, compared to 36% in the 1985 survey. The service they are most likely to advertise is installment loans (between 20% and 27% of the responding banks). Credit cards are promoted by 12% to 33% of smaller banks, significantly more than the 2% to 16% reported in 1985.

Home equity lines, which were promoted by 5% to 16% of respondents in 1985 were promoted by 4% to 30% of smaller banks in this year's *Analysis*. Other types of credit lines are promoted by 8% to 13% of banks with less than $100 million in assets. Mortgages are promoted by 12% to 18% of smaller banks, approximately the same percentage as in 1985.

Among banks with more than $100 million in assets, 84% promote credit services by mail, about the same percentage as in 1985. The proportion increases from 74% of the banks with $100 million to $250 million in assets to 91% of banks with $5 billion or more in assets.

Home equity lines are the product most likely to be promoted at larger banks, ranging from 51% to 91% of the banks. They have displaced credit cards which were the product promoted most by mail in 1985 and which this year declined to 27% to 82%. Other lines of credit are promoted by 16% to 55% of the larger banks. Mortgages are promoted by 14% to 20% of the larger banks.

Corporate Services

These services are promoted by about the same proportion of banks as in 1985. This year, 22% of banks under $100 million in assets promoted them while 32% of banks over $100 million promoted them. Deposit and loan corporate services are promoted about equally by smaller banks, averaging about 15% of banks in this size range. Institutional services are promoted by 8% or less of the same banks.

Among banks with more than $100 million in assets, business loans are promoted most often, by 10% to 17% of respondents, followed by institutional services, promoted by 9% to 18% of larger banks. Deposit services are promoted by 8% to 15% of larger banks, about the same proportion as in 1985.

TABLE 15
SERVICES PROMOTED BY DIRECT MAIL
(All Reporting Banks - 1988)

Type of Service	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Credit (Net)	**27%**	**49%**	**48%**	**63%**	**74%**	**79%**	**85%**	**90%**	**91%**
Credit Card	12	18	16	33	27	36	49	59	82
Installment	23	20	26	27	28	27	20	20	27
Home Equity	4	16	24	30	51	66	67	78	91
Other Line of Credit	8	13	11	12	19	16	22	33	55
Mortgage	15	15	12	18	20	18	18	14	18
Other Credit Services		1	7	6	2	5	2	6	
No Specific Type Given						1			
Deposit (Net)	**42**	**60**	**56**	**64**	**75**	**80**	**84**	**86**	**73**
Checking	23	46	33	38	38	35	40	24	36
Money Market	31	24	21	17	16	20	25	29	27
Short Term CDs	15	24	20	20	20	26	35	43	55
Long Term CDs	8	19	21	16	16	21	29	33	36
IRA	15	35	32	38	45	44	49	49	64
Other Deposit Services	15	6	8	13	13	19	18	10	
No Specific Type Given		1	1	*	1	2			
Corporate (Net)	**19**	**22**	**19**	**28**	**32**	**29**	**29**	**41**	**27**
Deposit	15	16	11	14	15	8	11	8	
Loans	15	16	15	13	17	10	13	14	
Ancillary			2	2	2	1	4	6	27
Institutional		4	8	8	10	14	11	18	9
Other			1	4	3	3	4	8	
No Specific Type Given				*					

* = Less than 0.5%

The *Analysis* tracks the usage and compensation of advertising agencies by responding banks. As shown in Figure G, bank size is an important factor influencing the usage of agencies.

Among all banks with assets below $100 million, about 78% rely on bank staff as their primary source for creating advertising, followed by outside agencies (17%) and holding company staff (3%). Their use of bank staff is up from 67% five years ago, while agency usage is down from 23%.

Not surprisingly, banks with assets over $100 million rely heavily on advertising agencies (71%) and much less on bank staff (21%). Another 7% use holding company staff. These patterns among the larger banks have held basically constant since 1983.

In general, as asset size increases the use of bank staff declines from a high of 92% among the smallest banks to 9% among the largest banks, and the use of advertising agencies increase from a low of 8% to a high of 90% as shown in Table 16.

Only 2% or less of all responding banks reported using a source other than those described above. Among these other sources are the media, freelancers or syndicators.

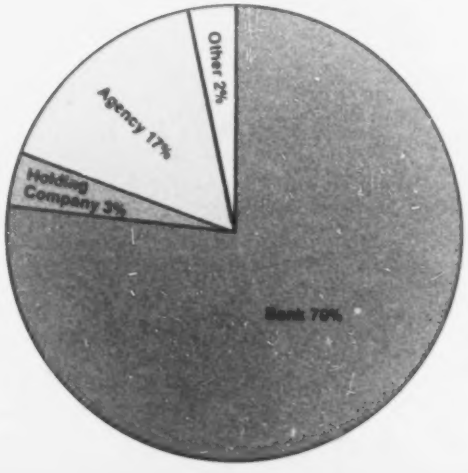
The use of advertising agencies is also influenced by the bank's market size as seen in Table 17. In the smallest markets (population under 100,000), banks indicate the highest use of bank staff at 66%, steadily declining to 21% as market size increases to populations of 1 million or more. Conversely, outside agency use increases from a low of 26% in the smallest markets to 74% in the largest. Across all market sizes, the use of bank staff has decreased and agency and holding company use have increased over the past five years.

Finally, agency usage also varies by the type of market in which the bank competes (Table 18). In statewide markets, 79% of responding banks used an advertising agency, while only slightly more than half of banks competing in more than one state (54%) and in urban markets (53%) reported doing so. Agency usage is even lower in suburban (42%) and rural markets (22%).

SOURCES FOR CREATING ADVERTISING

Figure G

Banks under $100 million



Banks over $100 million

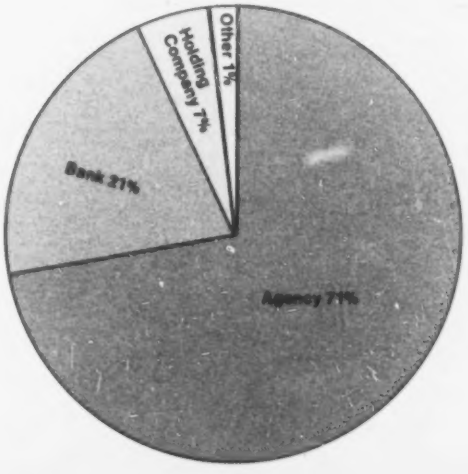


TABLE 16
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1988
(All Reporting Banks - 1988, Percentages)

Primary Source	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	92%	82%	76%	63%	51%	26%	9%	10%	9%
Used Holding Company Staff		1	4	6	8	8	8		9
Used Outside Agency	8	17	17	27	39	64	83	90	82
Other		1	3	4	2	2			

TABLE 17
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION
(All Reporting Banks - 1988, Percentages)

Primary Source	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	66%	38%	28%	21%
Used Holding Company Staff	6	6	6	4
Used Outside Agency	26	54	62	74
Other	2	2	4	1

TABLE 18
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE
(All Reporting Banks - 1988, Percentages)

Primary Source	Market in Which Their Bank Competes for Retail Business				
	More than One State	Statewide	Urban	Suburban	Rural
Used Bank Staff	18%	19%	40%	48%	72%
Used Holding Company Staff	25	2	6	7	3
Used Outside Agency	54	79	53	42	22
Other	4		2	2	3

TABLE 19
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1988
(Banks Which Use Agencies)

Compensation Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only	—	56%	67%	62%	54%	33%	40%	36%	13%
Media Commissions Only	—	13	5	4	3	2		11	38
Both Fees and Commissions	100	31	29	34	42	65	60	53	50

TABLE 20
AVERAGE EXPENDITURE FOR FEES AND COMMISSIONS AT AN OUTSIDE ADVERTISING AGENCY
(Banks Which Use Agencies)

Compensation	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Number of Reporting Banks	d	5	6	17	37	31	20	16	4
Average Expenditure		$5.0	$8.0	$16.6	$23.3	$39.4	$110.4	$155.9	$436.9
Median Expenditure		2.8	5.0	10.0	20.0	38.9	100.0	130.0	410.0

d — Disclosure. Reporting this data could make it possible to identify an individual responding bank.

Compensation Method

Responding banks also are asked to indicate which method they use to compensate their advertising agency:

- Fees only
- Media commissions only
- Both fees and media commissions

As shown in Table 19, the method of compensation frequently is related to the size of the bank.

The use of fees only is most prevalent among smaller banks. For example, 56% to 67% of banks under $100 million use fees only. However, as the size of the bank increases, the percentage using this method declines to only 13% (among banks with more than $5 billion in assets).

The commission only method is used least often. Its use varies from 2% to 13% for banks under $500 million, but increases to 38% of the banks with more than $5 billion in assets. The increased use among the largest banks probably occurs because their large media budgets can provide more substantial compensation for their agency.

A combination of fees and commissions is used by about one third of banks under $100 million in assets. Its use increases to 42% to 65% of banks with more than $100 million in assets.

When compared to 1983's data, this year's methods reflect lower use of the commission only method and a general shift to fees only or both fees and commissions.

Compensation Amount

Those banks which indicated they used an advertising agency as their "primary source" of advertising also were asked to report the amount they paid their agency in fees and commissions in 1988.

The questionnaire specified that the reported amount should include expenditures for creative, supervisory and account management time, but should exclude production expenses such as artwork, or research and public relations fees. In comparing these fees to your own expenses, keep in mind that agency compensation methods can be relatively complex, and that there frequently are significant differences in billing methods among agencies. Therefore, use these data as general guidelines rather than as absolute or fixed amounts.

Average Expenditures

Table 20 shows both the average and median expenditures for responding banks. The average fees range from $5,000 to $16,600 for the smaller banks; from $23,300 to $110,400 among the middle tier banks, and from $155,900 to more than $436,000 among the largest banks. Generally, these fees are within normal statistical variance in comparison with last year's fees.

Median Expenditures

Among the smaller banks, there is considerable variance between the median and the average expenditures, but variance narrows somewhat among the larger banks. The actual medians range from $2,800 annually for banks under $10 million in assets, to $10,000 for banks between $50 and $100 million in assets. Median compensation is $20,000 for banks between $100 million and $250 million and increases to $100,000 among banks between $500 million and $1 billion. Among the largest banks, the median is $130,000 for banks between $1 billion and $5 billion in assets and increases to $410,000 among banks with more than $5 billion in assets.

TABLE 21
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1987/1988 BY ASSET SIZE
(All Reporting Banks - 1988, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1988 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	26	105	140	210	269	97	55	49	11
Average Expenditure	**$ 12.4**	**$ 22.7**	**$ 37.5**	**$ 58.8**	**$124.2**	**$284.5**	**$588.7**	**$1461.4**	**$5333.4**
Minimum Expenditure	1.0	1.7	2.6	3.0	10.0	67.7	132.9	132.0	146.7
Maximum Expenditure	54.6	138.0	199.5	224.0	515.1	824.9	1601.8	4337.0	14860.0
Median Expenditure	**7.8**	**15.0**	**31.0**	**52.0**	**108.0**	**264.0**	**545.0**	**1242.5**	**4524.0**
1987 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	17	82	93	165	212	82	48	38	9
Average Expenditure	**$ 7.2**	**$ 17.2**	**$ 30.0**	**$ 54.3**	**$111.3**	**$241.4**	**$525.5**	**$1294.7**	**$3041.3**
Minimum Expenditure	0.0	0.0	0.0	0.0	12.0	50.0	150.0	452.0	100.0
Maximum Expenditure	50.0	125.0	128.0	200.0	600.0	607.8	980.0	4070.0	4200.0
Median Expenditure	**4.0**	**12.0**	**27.0**	**50.0**	**99.6**	**200.0**	**510.0**	**985.0**	**3939.0**

Comparing 1987 and 1988

Table 21 provides for a concise comparison of 1987 and 1988 marketing expenditures of responding banks.

The table includes not only the average and median expenditures, but also the minimum and maximum expenditure reported in each case.

It should be noted that the 1987 data is derived from information provided by banks in this year's survey of 1988 expenditures and may differ from the data shown in the 6th edition of the *Analysis* which examined 1987 expenditures.

Increases in expenditures are shown in all asset categories for both the average and the median amounts, although the percentage increase varies significantly among the various ranges.

Total Industry Expenditures

Table 21 also can be used to create an estimate of what the banking industry at large in the United States spends on marketing, but there are a number of limiting biases. For example, the number of banks in each asset range changes annually, and responding banks, as mentioned earlier, may not have expenditures representative of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.

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